Bank Of Baroda (Uganda) Ltd.

ANNUAL REPORT 2016

banking with passion

We Believe in Trust, Transparency and Togetherness


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

BANK OF BARODA (U) LTD

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

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting of Bank of Baroda(Uganda) Ltd will be held at 3:00 pm on 12th day of June 2017 at "Gardenia Hall" Imperial Royale Hotel, Plot No 7, Kintu Road, Kampala to transact the following business :-

1. CONFIRMATION OF THE MINUTES OF THE 46TH ANNUAL GENERAL MEETING

To confirm the minutes of the 46th Annual General Meeting of the Bank held on 17th June 2016

2. FINANCIAL STATEMENTS

To receive and consider the audited financial statements - consolidated balance sheet as at 31st December 2016, consolidated income statement for the year ended 31st December 2016, report of the Board of Directors on the working and activities of the Bank, together with the Auditors' 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 appointment of Mr. Ashwini Kumar as Managing Director w.e.f 12th Apriil 2017 and Mr. Rajneesh Sharma as the Director of the Bank w.e.f 7th December 2016.

To Approve the resignation of the Directors - Mr.B.S. Dhaka,Mr. O.P.Khatkar and Mr.K.N. Manvi w.e.f 14th October 2016, 1st August 2016 and 21st April 2017 respectively.

5. AUDITORS

To consider and approve the appointment of M/s. Deloitte & Touche as the External Auditors of the Bank for the period ending 31st December 2017 and to approve their remuneration as proposed by the Board of Directors.

6. 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: 18th May 2017

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 18th August 2017

5. **Payment of Dividend.**

   The final dividend as declared by the Board of Directors and approved by the shareholders will be paid to those shareholders whose name/s appear on the Bank's Register of Shareholders as on 18th August 2017 and the same will be sent on or before 8th Sept.2017 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 18th August 2017 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 copy 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 to welcome you to the 47th Annual General Meeting of the Shareholders of Bank of Baroda (Uganda) Ltd, one of the prominent overseas subsidiaries of Bank of Baroda, and the second overseas venture for Bank of Baroda – India on the world map in the year 1953.

I place my sincere gratitude to the shareholders and stakeholders for reposing faith and trust in the Bank which always inspire us to improve our performance. The Bank has registered an increase of 12.94% in total business (Deposit + Advances) over the previous year, with 22.68% growth in deposits. The Net Profit after Tax increased by 19.69%. These parameters signify Bank's inherent strength of performing better even in the difficult economic and banking environment.

The overall prospects of the Ugandan Economy are brighter in the coming years. The official outlook is that Uganda's Economy is projected to grow by 5.5% in the next financial year. The economy continues to manifest an overall satisfactory performance. The agriculture sector is also expected to register improved performance assuming that the country, unlike 2016 does not suffer a bout of drought. Similarly, the industrial sector is expected to perform better in the coming year. Declining trend of interest rate will ease access to credit for borrowers and lower the cost of credit, which in turn reduce the overall transaction costs for enterprises, making them more competitive. The economy is expected to grow by 4.5% to 5.2% in FY 2017/18 and 6.0% in the subsequent year.

I feel happy to share with you that Bank of Baroda, the parent Bank has a presence in 24 countries around the globe. We are strategically positioned for the future of financial services by embracing latest technology and leveraging it to sustain our business model with thrust on consistent growth in business, quality of credit, NPA management and augmenting fee based income. Africa occupies a special place in Bank of Baroda's International Business, as Bank started its first overseas Branch in this continent.

The broad business strategy for Africa inter alia includes:-

- Increasing Bank's reach by opening new branches.
- Thrust on core sectors like Agriculture, Infrastructure.
- Increasing alternate channels for delivery of Banking Services.
- Introducing facilities for utility services through use of technology.
- Strengthening Risk Management System.
- Aggressive marketing of Bank's various products.

I place on record my sincere thanks to the Government of 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.

In an organization it is the contribution of each and every individual that makes the organization from good to great. We are committed in making the Bank a fine place to work. I extend my sincere thanks to the Board of Directors, the shareholders and to the staff that have contributed to these positive results. I am confident that with their commitment and dedication the bank will be able to post better results in 2017.

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,

I am delighted to welcome all of you to the 47th Annual General Meeting of Bank of Baroda (Uganda) Ltd. Your Bank has completed 63 years of successful banking operations in Uganda, thereby partnering in socio-economic development of Uganda since last six decades. I have the pleasure to report the financial results of the Bank for the FY ended 31st December 2016.

Despite various challenges, Uganda's economic outlook remains positive now as the electoral cycle has ended and private activities are picking up. Moreover, the government's extensive infrastructure development program is going to boost local economic activities. Declining interest rates are expected to support growth in private sector credit and boost investment. All factors remaining constant, the economy is expected to grow with a pace of more than 4.5%.

Despite challenging economic scenario the Bank has done well in FY 2016, showing remarkable growth on Deposits side with a rise of 22.68%. The total business increased by 12.94%, Net Profit after Tax by 19.69%.

Bank is in the process of operationalizing one more branch at Arua. During 2016 Banks 16th branch was inaugurated in Lugazi on 18.06.2016.

The commitment to excel and render full value to its stakeholders is reflected in the motto of your Bank for the year 2017 "To augment stakeholders' value through personalized care and competence".

The Bank is committed to promote and maintain the highest standards of 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 activities like sponsoring Ugandan children for Heart Surgery in India, providing scholastic materials in schools, Health Centre, undertaken Blood Donation drive, Tree Plantation Campaign etc.

On behalf of Board of Directors, Management and Staff of the Bank, I express my deep gratitude and sincere thanks to the Government, all the officials of Bank of Uganda and Government Departments for their guidance and support strengthening the operations of the Bank. I place on record my appreciation for customers and shareholders for their continued support without which the Bank would not have been able to achieve these positive results.

I extend my warm welcome to Mr. Ashwini Kumar, the new Managing Director of the Bank and Mr. Rajneesh Sharma, Director on Board. I also extend my sincere thanks on behalf of the Bank to the outgoing Managing Director Mr. B.S. Dhaka, Executive Director Mr. O.P. Khatkar and Mr. K.N. Manvi for their valuable contribution to the Bank.

I thank all the staff members at various levels in the Bank for the good work done during the year and am confident that they will continue to put their sincere efforts to take the Bank to the new heights.

We, at Bank of Baroda (U) Ltd., are committed to offer excellent customer service and rededicate ourselves to accomplish our commitments by rendering highest standard of Banking services and enhancement of stakeholders' value in the coming years.

Yours Truly,

Dhizaala S Moses

Chairman

MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

It is my pleasure to welcome you all to this 47th Annual General Meeting of the Bank. The Bank has entered into the 64th year of excellence and uninterrupted service to this country. It gives me great pleasure to place before you the financial results of the Bank for the financial year ended 31st December 2016.

The year 2016 has been challenging year for the economy of this country. The rate of inflation remained at a band of 5.1% to 5.7% during the year. Despite various challenges and volatility the Bank could perform well during the FY 2016.

The outlook for the year 2017 is expected to be better provided food and cash crop are not affected by drought situations as it happened in the year 2016. As per official outlook, the Ugandan Economy is expected to grow by at least 5.5% during the current financial year. Nonetheless, a reasonable growth is expected in FY 2017/18, boosted by improved implementation of public infrastructure investments, higher private sector investments in the oil sector and improvement in agriculture production and consumption growth. Based on these factors we are hopeful for better performance this year.

Let me take you through the key financial highlights of the Bank's performance for the year ended 31st December, 2016.

1. Total Deposit increased by UGX 215 Bn. showing a growth of 22.68% over the previous year, i.e. increase from UGX 948 Bn. to UGX 1163 Bn.
2. Advances decreased by UGX 12 Bn. showing a marginal decrease of 1.93% over the previous year, i.e. decrease from UGX 620 Bn. to UGX 608 Bn.
3. Total Business (Deposits + Advances) increased by UGX 203 Bn. showing a growth of 12.94% over the previous year, i.e. increase from UGX 1568 Bn. to UGX 1771 Bn.
4. Total Interest income increased by UGX 23.32 Bn. showing a growth of 18.17% over the previous year i.e. increase from UGX 128.35 Bn. to UGX 151.67 Bn.
5. Total Interest expense increased by UGX 6.08 Bn. showing an increase of 11.24% over the previous year i.e. increase from UGX 54.10 Bn. to UGX 60.18 Bn.
6. Net Profit after Tax increased by UGX 8.10 Bn. showing a growth of 19.69% over the previous year i.e. increase from UGX 41.13 Bn. to UGX 49.23 Bn.
7. Gross NPA is at UGX 77.66 Bn. (12.77% of total advances) and the Net NPA is UGX 59.91 Bn (9.85% of total Advances).
8. Total Assets size increased by UGX 273.00 Bn. showing a growth of 22.69% over the previous year, i.e. increase from UGX 1203 Bn. to UGX 1476 Bn.
9. Total Net worth increased by UGX 56.18 Bn. showing a growth of 25.44% over the previous year, i.e. increase from UGX 220.82 Bn. to UGX 277.00 Bn.

During the year various customer centric measures were taken by

your Bank; major ones are:

- Introduction of new Recurring Deposit Account
- Opening of a new branch at Lugazi
- Migration of all ATMs to Base 24 switch

Development of Human Resource by imparting training through Video Conferencing from our Apex Training College, India. Continued focus on the stakeholders' satisfaction is the hallmark of your Bank and we have rededicated ourselves to the same. It is reflected in our motto for the year 2017 "To augment stakeholders' value through personalized care and competence".

Your bank is committed to delivering great value and service to our customers across the various segments we serve. The initiative plan for 2017 is:

1. Opening of a new branch at Arua.
2. Affiliation of Debit card to VISA.
3. Offering Alternate Delivery Channel like Mobile Banking.

Improvising the existing products and services in sync with the customer requirements. I place on record my sincere appreciation for the continued support received from all our valued shareholders, customers without whose trust and patronage the Bank would not have achieved the appreciable results. I am thankful to the Government of Uganda and Bank of Uganda for their valuable support and guidance. I also acknowledge the valuable support and guidance rendered by our Global Chairman, Chairman Bank of Baroda (Uganda) Ltd as also other Director Colleagues on Board of the Bank.

I extend my warm welcome to Mr. Rajneesh Sharma, Director on the Board of our Bank and convey my sincere thanks on behalf of the Bank to the outgoing Managing Director Mr. B.S. Dhaka.

I wish to thank my Director colleagues on the Board and all the staff members for their commendable contribution during the year and seek their continued dedication and commitment in the years to come to take this Bank to further heights of glory and success.

I extend my good wishes to each one of you.
Yours truly,

Ashwini Kumar
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

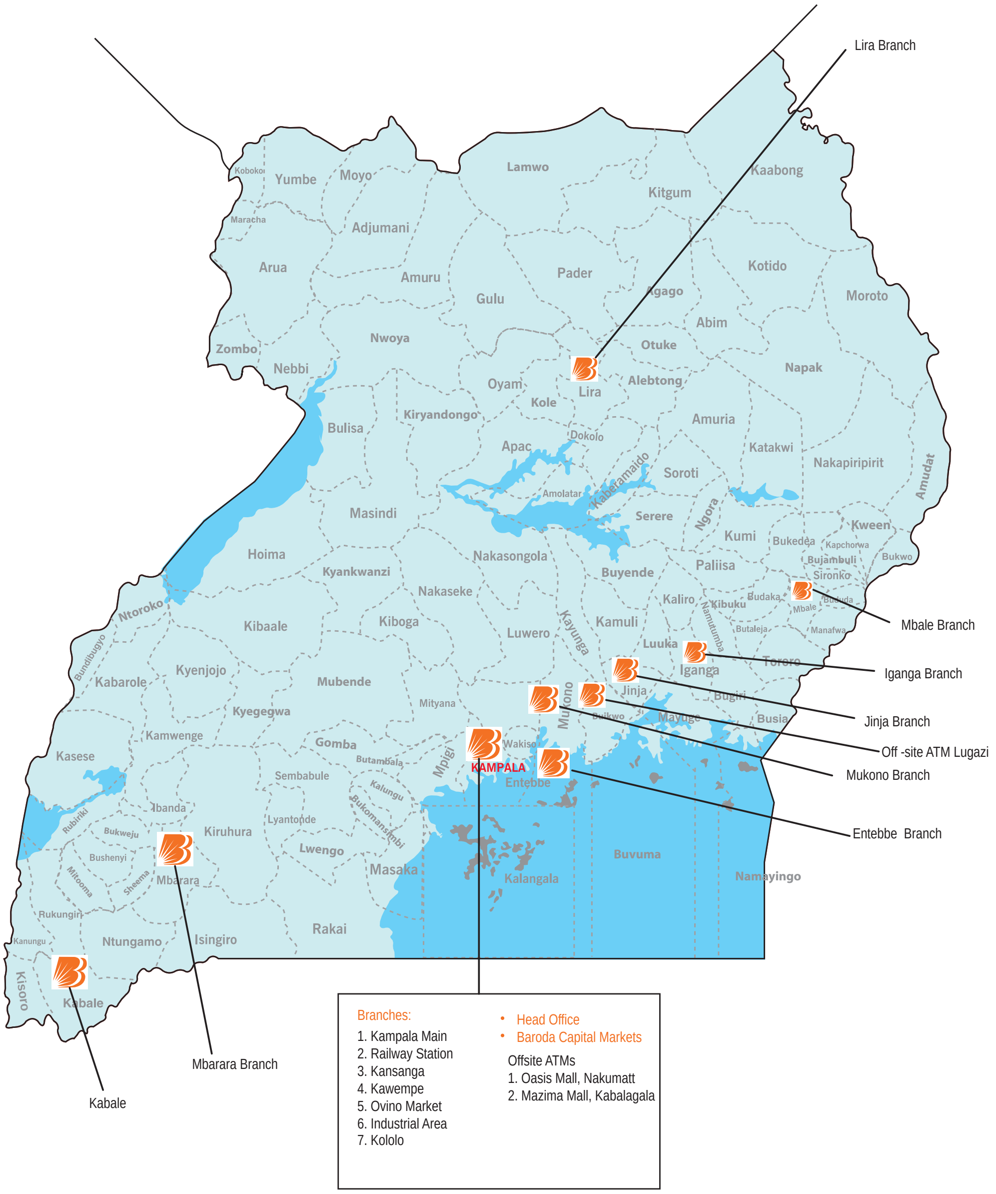
MOTTO FOR THE YEAR 2017

To Augment Stakeholders' Value through
Personalised Care and Competence

BUSINESS INITIATIVE PLAN 2017

1. Opening of new Branch at Arua
2. Affiliation of Debit Card with VISA
3. Offering Alternate Delivery Channel like Mobile Banking

Map of Uganda with Baroda's Presence



AWARDS CONFERED DURING 2016

Awarded
Superbrands
East Africa 2015-16

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

TABLE OF CONTENTS

BOARD OF DIRECTORS

Mr. Dhizaala S. Moses
Chairman

Mr. Ashwini Kumar
Managing Director

Mr. Rajneesh Sharma
Director

Mr. Rogers Matama
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 1st November 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. In the year 2016 a new branch was opened at Lugazi on 18th June 2016 .

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.

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 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.
- ❖ Software has since been installed at the Treasury Department for carrying out regular valuation of Treasury Bills / Bonds.

Risk Management Systems

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

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

The focus of the Bank is on identifying, measuring, monitoring and 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 recruitment & promotion for 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 203 consisting of 173 local staff and 30 expatriates.
- Introduced training of staff by the Apex College, Ahmedabad through video conferencing.
- Formed a Safety & Health Committee at Kampala Main Branch and nominated representatives for Safety & Health at all the other branches.
- Bank directly recruited Officers / Supervisors / Banking Assistants attracting younger talent and also recruited Office Assistants and Driver-cum-Office Assistants during the year 2016. The newly recruited staff members were imparted "On-the-job training" whereby they are trained in actual working environment, which involves coaching, job-rotation along with classroom training.
- During the year 2016, the Bank achieved its objective of imparting training to all its staff members to equip them with new skills, boost their morale and also bridge the knowledge gap in the ever growing industry.
- 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. During the year 2016, ten (10) in-house training programmes were conducted and attended by 182 participants, out of which, 4 training programmes were conducted by Apex Academy, Ahmedabad, India through Video Conferencing and 81 participants benefited from such training programmes.
- During the year 2016, the Bank deputed -45- staff members to -26- external training programmes

conducted by The Uganda Institute of Banking and Financial Services; Bank of Uganda; Uganda Bankers Association; PricewaterHouse Coopers; Financial Intelligence Authority & Global Centre on Cooperative Security; AFRACA & FAO; Compuscan CRB Ltd.; Federation of Uganda Employers, Ministry of Labour; Ministry of Finance, Planning & Economic Development; Institute of Chartered Secretaries and Administrators & Capital Markets Authority. Based on the feedbacks received from the participants the training programmes were found very educative and useful for their day-to-day working.

- Staff meetings are held on regular basis wherein suggestions are sought / problems understood and

Employees Participation in Kampala Canival 2016

Employees Participation in Charity Walk 2016

solutions thereof are arrived at relating to staff grievances and also suggestions made by staff on business development.

- Annual Staff conclave is held on annual basis 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 2016 was also attended by -2- top executives from the parent Bank - Bank of Baroda, India.
- Staff members of our Bank participated in the Kampala Carnival for the year 2016.
- During the year 2016, staff members of our Bank also participated in the World Understanding and Peace Annual Rotary Charity Walk.
- Our staff members also participated in the Fundraising Charity Walk organized by Bank of Uganda on 17.12.2016 to mark its 50th Anniversary.

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.

Promoting Tourism At the Source of Nile.

Customer Centric Initiatives taken during 2016

- ❖ New Branch at Lugazi was opened on 18th June 2016.
- ❖ SMS alert system for ATM withdrawal and other debit / credit transactions has 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 management mechanism.
- ❖ 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.

Corporate Social Responsibility

Bank of Baroda has in its own humble way tries to touch many aspects of community care by contributing towards various 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.34.17 million for various social causes, major ones are listed below.

1. Donation for Health Camp organized by Rotary Club Kampala East.
2. Donation to Narayan Sewa Santhan Uganda for Conducting Medical camp.
3. Donation to Sports Tourism International for Annual Corporate Challenge-2016
4. Donation to Ananda Marga Mission.
5. Donation for Durga Puja to Bengoli Association.
6. Donation for Heart Surgery of Ugandan Children in India through Indian Association.
7. Donation to Nambi Children Initiative Sponsorship to local NGO.
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.
11. Donation to Namukoge Primary School for renovation of their building.
12. Contribution to National Prayer Breakfast of Parliament of Uganda.

Governor BOU inaugurating Lugazi Branch

Blood Donation Camp was organised by the Bank

Cake cutting on the Foundation day of the Bank

Eye Sight Saving Camp 2016 at Jinja

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

Products / Services Offered to Individuals (Retail Products).

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

Deposit Products

Host of options available under Savings Bank Account:

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

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

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

Baroda Connect

Transaction based internet banking facility for anywhere/anytime banking

Retail Loan Products

1. Baroda education loan Scheme for financing children education

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

3. Baroda Housing loan for purchase of house / flat

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

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

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

Products & Services offered by the Bank (Continued)

Other Retail Loan Products:

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

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

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

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

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

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

UMEME Powering Uganda	NSSF a better future.
NWSC	URA Uganda Revenue Authority DEVELOPING UGANDA TOGETHER

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 practice.

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 practice.

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 non-compliance. On a quarterly basis, the Audit Committee also reviews the significant interactions and correspondences with the Regulator. The compliance function and governance standards are subject to review by internal audit.

Whilst the 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 practice in corporate governance and contains among other things policies on: the size, role and functions of the Board; appointments and induction of directors; board performance evaluation; and remuneration of directors.

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

Board composition

The Board currently consists of:

- Chairman 1
- Executive Directors 2
- 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 and appointments (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 other 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, whose members are Non Executive Directors. 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 once on 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 risk.

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 is 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 oppurtunity to communicate with all the shareholders. The Bank gives shareholders a 21 days notice of the AGM as required by the Companies Act, 2012.

Share holding pattern as on 31st December 2016

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 2016

Sr.	SHAREHOLDER	NO. OF SHARES	%
1	BANK OF BARODA	1,999,998,750	80.00
2	MR. SUDHIR RUPARELIA	62,527,250	2.50
3	CRANE BANK LIMITED	62,500,000	2.50
4	NATIONAL SOCIAL SECURITY FUND	49,956,250	2.00
5	MRS MAHESHWARY PURUSHOTTAM MORJARIA	25,000,000	1.00
6	BANK OF UGANDA STAFF RETIREMENT BENEFIT SCHEME AIG	15,975,187	0.64
7	EPACK INVESTMENT FUND LIMITED	15,937,500	0.64
8	DR. JOSEPH BYAMBARA BYAMUGISHA	15,625,000	0.63
9	PARLIAMENTARY PENSION SCHEME	13,895,738	0.56
10	NATIONAL SOCIAL SECURITY FUND-PINEBRIDGE	12,525,000	0.50

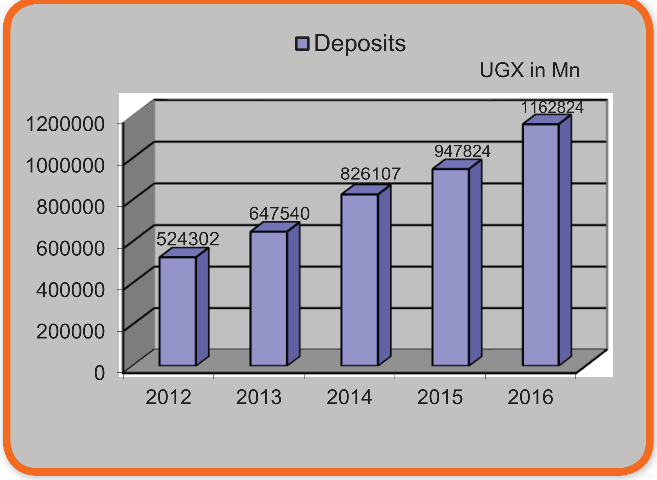
Financial for the last 5 years

	UGX Mn				
	2012	2013	2014	2015	2016
Capital	10,000	25,000	25,000	25,000	25,000
Reserves	124,912	137,667	169,086	196,295	277,487
Deposits	524,302	647,540	826,107	947,824	1,162,624
Advances	347,490	435,560	524,358	619,961	607,807
Total Business	871,792	1,083,100	1,350,465	1,567,785	1,770,631
Investments	199,513	232,082	398,407	267,329	474,5887
Net Profit	29,472	30,884	36,890	41,204	49,247
Adjusted Earnings per Share*	29	12	15	16.48	19.70
Dividend per share*	2	2	2.5	2.5	2.5**

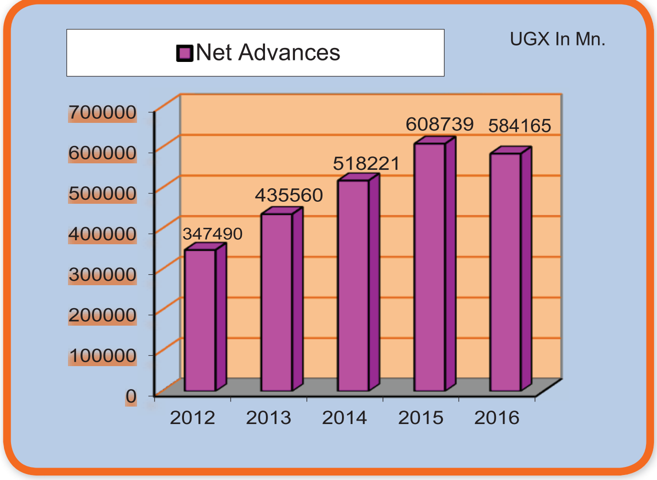
** For the year 2016 the Board of Directors have recommended dividend @ Ugx.2.50 per share.

Growth at a glance

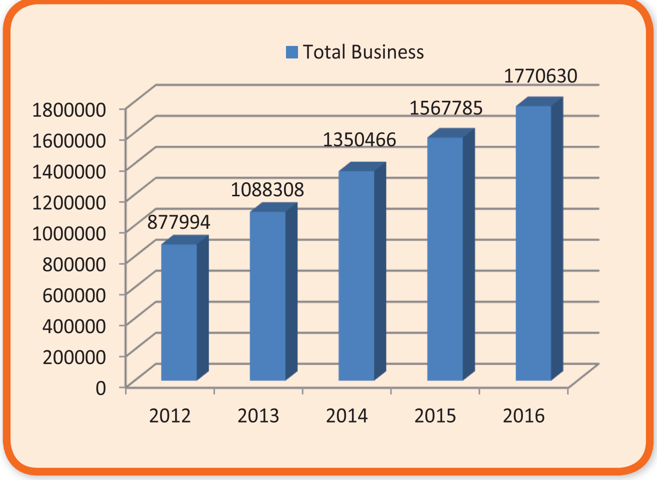
Deposits



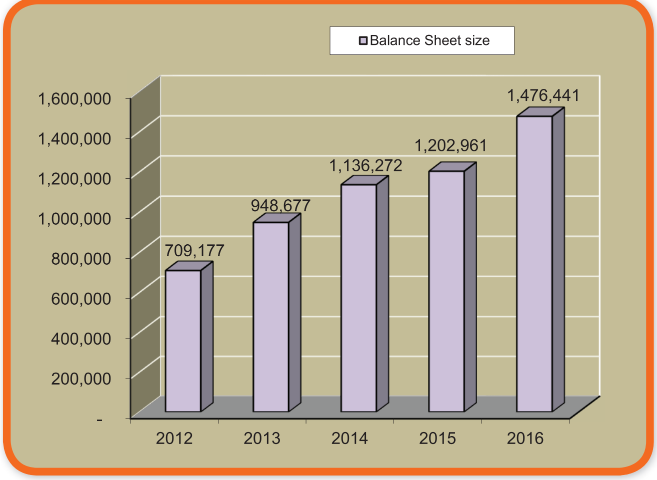
Net Advances



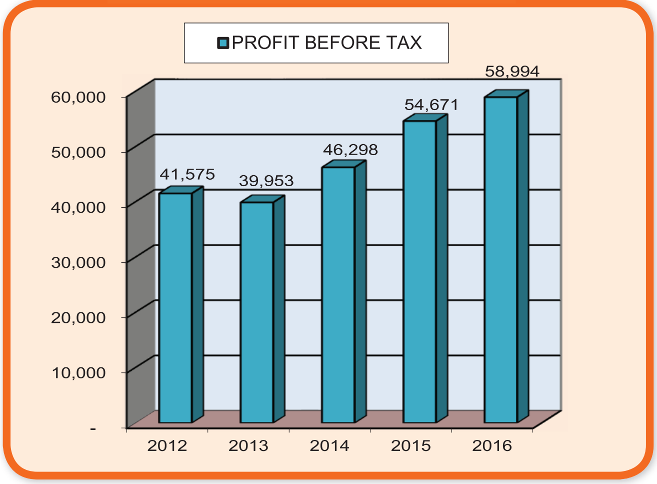
Total Business



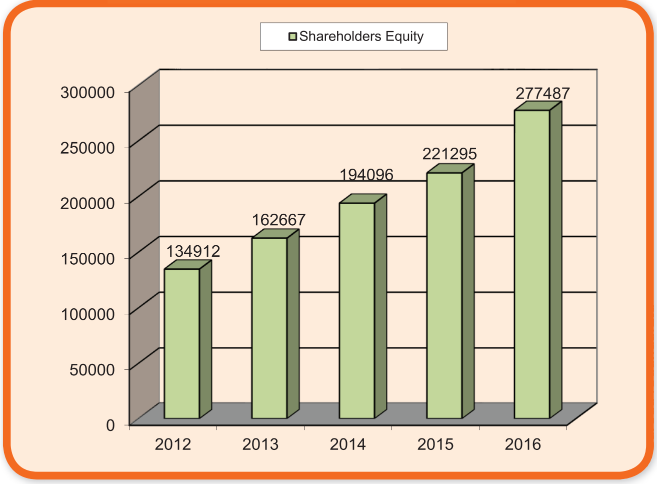
Balance Sheet Size



Profit



Shareholders Equity



Subsidiary

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 brokers / dealers 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	**31.12.2016**	**31.12.2015**
Operating Income	102,853	154,471
Operating Expenses	52,205	60,089
Profit before Tax	50,648	94,382
Tax Expense	22,245	29,565
Profit after Tax	28,403	64,817

Statement of Financial Position (Ugx '000)

Particulars	**31.12.2016**	**31.12.2015**
Assets		
Property & Equipment	2.376	2,785
Trade & Other Receivables	445,285	351,325
Cash & Cash Equivalent	148,968	294,502
Total Assets	**596,629**	**648,612**
Liabilities		
Trade & Other Payables	74,103	144,490
Deferred Tax Liabilities	-	-
Total Liabilities	**74,103**	**144,490**
Shareholder's Equity		
Ordinary Share Capital	40,000	40,000
Accumulated Reserves	482,526	464,122
Total Shareholder's Equity	**522,526**	**504,122**
Total Equity & Liabilities	**596,629**	**648,612**

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

CORPORATE INFORMATION

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	COMMERCIAL BANKING ACTIVITIES	
DIRECTORS	Mr. Dhizaala S. Moses	Board Chairman
	Mr. Ashwini Kumar	Managing Director
	Mr. Rajneesh Sharma	Director
	Mr. Rogers Matama	Director
	Mr. Anwar Malik	Executive Director
CHIEF OFFICERS / EXECUTIVES	Mr. Ashwini Kumar	Managing Director
	Mr. Manoj Kr. Bakshi	Chief Manager (Admin)Company Secretary
	Mr. K. R. Meena	Internal Auditor
	Mr. Anwar Malik	Financial Controller
	Mr. R.S. Goyal	Chief Manager (Credit)
	Mr. Mahesh Arora	Chief Manager (Information Techonology)
	Mr. Obong S.	Compliance Officer
	Mr. Prithiwijit Gosh	Senior Manager (Treasury)
	Mrs. Victoria Ocici	Head (Risk Management)
BOARD CREDIT COMMITTEE	Mr. Rajneesh Sharma	Chairman
	Mr. Ashwini Kumar	Managing Director
	Mr. Rogers Matama	Director
	Mr. Anwar Malik	Executive Director
BOARD AUDIT COMMITTEE	Mr. Rogers Matama	Chairman
	Mr. Rajneesh Sharma	Director
BOARD RISK MANAGEMENT COMMITTEE	Mr. Rajneesh Sharma	Chairman
	Mr. Rogers Matama	Director
	Mr. Anwar Malik	Executive Director
BOARD ASSET AND LIABILITIES COMMITTEE	Mr. Anwar Malik	Chairman
	Mr. Rogers Matama	Director
	Mr. Rajneesh Sharma	Director
BOARD PERSONNEL AND ADMINISTRATION COMMITTEE	Mr. Ashwini Kumar	Chairman
	Mr. Rajneesh Sharma	Director
	Mr. Rogers Matama	Director
	Mr. Anwar Malik	Executive Director
COMPENSATION COMMITTEE	Mr. Ashwini Kumar	Chairman
	Mr. Rajneesh Sharma	Director
	Mr. Rogers Matama	Director

Corporate Information (Continued)

REGISTERED OFFICE	: Plot 18, Kampala Road, : P.O Box 7197 : Kampala, Uganda
COMPANY SECRETARY	: Mr. Manoj Kumar Bakshi : Kampala
INDEPENDENT AUDITOR	: Grant Thornton : Certified Public Accountants : P.O. Box 7158, 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 JINJA MBALE MBARARA IGANGA KANASANGA KAWEMPE LIRA MUKONO OVINO KABALE ENTEBBE INDUSTRIAL AREA KOLOLO LUGAZI

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements for the year ended 31 December 2016 which disclose the state of affairs of Bank of Baroda (Uganda) Limited ("the company").

PRINCIPAL ACTIVITIES

The principal activity of the company is to provide Commercial Banking services.

KEY FINANCIAL HIGHLIGHTS AS ON 31 DECEMBER 2016

- Deposits increased by 22.69% in 2016 to Ush. 1,163,065 mn. from Ush. 947,976 mn. in 2015
- Advances net of impairment provisions decreased by 4.03% in 2016 to Ushs.584,165 mn from Ush.608,739 mn. in 2015
- Total Business (Deposits + Advances) increased by 12.94% in 2016 to Ush. 1,770,872 mn. from Ush. 1,567,937 mn. in 2015
- Balance sheet size increased by 22.75 % in 2015 to Ush.1,476,134 mn from Ush.1,202,503 mn in 2015.
- Total income increased by 16.43% to Ush.169,546 mn in 2016 from Ush.145,616 in 2015.
- Net Profit after Tax increased by 19.69% in 2016 to Ush. 49,234 mn from Ush.41,133 mn in 2015.
- Gross NPA as a percentage of total advances is at 12.77% in 2016 increased from 1.14% in 2015.
- Capital Adequacy Ratio as at 31st December 2016 was 35.12%.
- Return on Assets was 3.65% as at 31st December 2016.
- Return on shareholders' worth was 18.81% as at 31st December 2016.

SHARE CAPITAL

The Authorised Share Capital of the company was 2,500 million shares of Ushs 10 each as on 31st December 2016.

Pursuant to the Financial Institutions (Revision in Minimum Capital Requirement) Instrument 2010, Statutory Instrument No 43, 2010, Banks in Uganda are required to increase the paid up capital to at least Ushs 10 billion by 1st March 2011 and Ushs 25 Billion by 1st March 2013.

To comply with the above statutory requirement, the shareholders of the Bank had accorded approval for increasing the paid up capital of the Bank from Ushs 10 billion to Ushs 25 billion by capitalizing the retained profit to the extent of Ushs 15,000,000,000 (Ugandan Shilling Fifteen Billion) by way of issue of Bonus Shares in the ratio of 1.50 shares for every 1 equity share held. Pursuant to the authority given to the Managing Director by the shareholders at the 42nd Annual General Meeting on 2nd June 2012, paid up capital has been increased from Ushs. 10 billion to Ushs 25 billion by capitalizing the retained profits towards issue of Bonus Shares on 22nd February 2013.

DIVIDEND

The Board of Directors recommend for payment of dividend of Ushs. 6.25 billion for the year 2016 @ Ushs. 2.50 per share (face value of Ushs. 10 per share) on the increased Share capital of Ushs. 25 Billion, (2015: Ushs 6.25 billion at Ushs. 2.50 per share on 2,500 million shares).

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 company has policies in place to ensure that banking services are availed to customers with performance and credit history.

DIRECTORS

The names of the directors who held office during the year and on the date of this report are set out on page 1

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

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.

OPERATING AND REGULATORY ENVIRONMENTS

The year opened with US$/Ushs 3,380 in the month of January 2016 and the same was highest at 3,620 during the year and closed at US$/Ushs. 3,610 by end of December 2016.

The bank complied with the minimum core capital and total capital requirements, which are 32.87% and 35.12 % 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 F.Y. 2014. Continued focus on leveraging technology has resulted in process efficiencies and enhanced customer convenience.

BRANCH EXPANSION / ALTERNATE DELIVERY CHANNEL

During the year 2016, the Bank has opened a branch at Lugazi. With the opening of Lugazi branch the number of branches have become 16 and ATMs 20.

AUDITORS

The Company's Auditors, M/s. Grant Thornton, Certified Public Accountants, Uganda were appointed as Statutory Auditors of the Company in accordance with section 167 (1) of the Companies Act, 2012 and were duly approved by Bank of Uganda in accordance with section 62 (1) of the Financial Institutions Act 2004. They have audited books of the accounts of Bank for the year 2016. We hereby recommend the name of M/s. Deloitte & Touche, Certified Public Accountants, Uganda as the Statutory / External Auditors of the Bank for the year 2017 which is approved by the Board.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 27th day of April, 2017.

BY ORDER OF THE BOARD

COMPANY SECRETARY KAMPALA

27th April, 2017

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2012 of Uganda and the Financial Institutions Act, 2004 as ammended by The Financial Institutions (Amendment) Act, 2016 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

The annual report and consolidated financial statements set out on pages 26 to 71, which have been prepared on the going concern basis, were approved by the on April 27, 2017 and were signed on their behalf by:

Mr. Anwar Malik - Executive Director

Mr. Dhizaala S. Moses - Chairman

Mr. Ashwini Kumar - Managing Director

Kampala, Uganda, April 27, 2017

INDEPENDENT AUDITORS' REPPORT

To the shareholders of Bank of Baroda (U) Limited

Opinion

We have audited the Consolidated Financial Statements of Bank of Baroda (U) Limited set out on pages 26 to 71, which comprise the Consolidated and Company Statement of Financial Position as at December 31, 2016, and the Statement of Profit or Loss and Other Comprehensive Income, Consolidated and Company Statement of Changes in Equity and Consolidated and Company Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of Bank of Baroda (U) Limited as at December 31, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 2012 and the Financial Institutions Act , 2004 as amended by the Financial Institutions (Amendment) Act, 2016.

Basis for opinion

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Allowance for impairment of loans and advances to customers	
Refer to notes 1.2 , 3 and 15 of the consolidated financial statements on pages 16, 33 and 48 respectively. The allowance for impairment of loans and advances to customers is considered to be a matter of most significance as it requires the application of judgement and use of both objective and subjective assumptions by management. The bank records both general and specific allowances of loan and advances to customers, in accordance with IAS 39. Loans and advances to customers contributed to 39.44% of the Group's total assets. The loan portfolio and characteristics of these two groups differ, therefore requiring a different approach in the asssessment for specific allowances by management. Bank's loan portfolio consists of corporates and retail customers. Management to monitor the repayment abilities individual cusomers based on the seccurity on the date of assessment and their knowledge for any objective allowance for impairment. Also, where loans are not monitored individually, they are grouped by its characteristics and through historical trends for impairment losses, assessment for allowances of impairment are done. g	Our audit procedures included understanding and testing of the design and operating effectiveness of the key controls over the following: a) Automated control over approving, recording and monitoring loans and advances b) Controls around identifying impaired loans and advances. c) The governance process of loansvdowngrading, including the continous re-assessment of the appropriatness of assumptions used in the impairment Our testing of the design and operations of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures. Our procedures to assess management's provision for specific allowances, in response to the risks specific to the business units included the following: a) We obtained an understanding of the Bank's Credit policy and evaluated the proccesses for identifying impairment indicators and consequently, the grading of loans for compliance on the classification. We selected a sample of loans considering the total exposure, risks, industry trends, etc. For selected samples,we have verified the total exposure, value of security financial performance and banking of borrowers during the year. We assessed management’s forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. We evaluated the consistency of key assumptions applied, benchmarking these to our own understanding of the relevant industries and business environments, to assess the validity of the collateral valuations. We re-computed management’s calculation of the specific allowances to check the accuracy of data captured in the accounting records. With respect to the bank’s general provision, our procedures included the following: We re-computed management’s calculation to assess that the Group maintained a minimum of 1% of general allowances on total credit exposure net of collateral and specific allowances in accordance with the transitional provision set out in The Financial Institutions (credit classification and provisioning) Regulation, 2015. We evaluated management’s assessment on the relevance of the assumptions used to group similar characteristics and through historical trend for general provision on loans and advances.

Key audit matter	How our audit addressed the key audit matter
[illegible]	Overall, the results of our evaluation of the Bank's allowance for impairment of loans and advances, we did not identify any exceptions that would result in material misstatement to the financial statements.
Reco[illegible]d expenses	
Refer[illegible]solidated financial statements on pa[illegible]	Our audit procedure included understanding and testing of the design and operating effectiveness of the key controls over the following:
Inter[illegible]ense for all interest-bearing finan[illegible]t for those designated at fair value[illegible] are recognized within 'interest inco[illegible]se' in the income statement using[illegible]t method. Using complex IT syste[illegible]n loans and customer deposit is re[illegible]accounts.	Testing Automated controls over computations of interest and other charges both on loans advanced to customers and deposits received from customers based on different scenarios applicable in the circumstances. Conducting analytical procedures on interest income and interest expenses and its comparison with the previous year and industry trends; and Reperformance of interest calculation on sample accounts. Based on the above procedures performed we did not identify any exceptions that would result in a material misstatement to the financial statements.
Reg[illegible]	
Bank[illegible]ghly regulated environment. In addit[illegible]Act, 2012 bank is regulated by The [illegible]ct, 2004 as ammended by The [illegible] of U[illegible]	Our audit procedure included following; Understanding the bank's procedure for compliance with laws and regulations. Verifying various filling with regulatory authority on [illegible] and [illegible] and obtaining management responses for [illegible]ing or non-compliance. [illegible]e above procedures performed, we did [illegible]y exceptions that would result in a material [illegible]t to the financial statements.

[illegible] information comprises the Directors' Report [illegible]nies Act, 2012 of Uganda, which we obtained [illegible]ude the Consolidated Financial Statements and [illegible]

[illegible]cover the other information and we do not [illegible]on.

[illegible]ction with our audit [illegible]ments, our responsibility is to read the [illegible]ormation a[illegible]formation is materially inconsistent with [illegible]solidated Fi[illegible]d in the audit, or otherwise appears to [illegible]ated. If, based on [illegible]d, we conclude that there is a material [illegible]s other information, we [illegible]t fact. We have nothing to report in this

Responsibilities of the directors for the Consolidated Financial Statements

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

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

Auditor's responsibilities for the audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements,whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

As required by the Ugandan Companies Act, 2012, 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 Bank, so far as appears from our examination of those books; and

(iii) The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of accounts.

Jasmine Shah (Partner)
Grant Thornton (Certified Public Accountants)

April 27, 2017
Kampala, Uganda

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

		Group		Company	
	Note(s)	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000
Interest income	5	151,665,549	128,356,589	151,665,549	128,356,589
Interest expense	6	(60,176,831)	(54,098,499)	(60,176,831)	(54,098,499)
Net interest income		**91,488,718**	**74,258,090**	**91,488,718**	**74,258,090**
Non interest income / other income	7	17,967,351	17,414,090	17,880,447	17,259,619
Non interest expenses	8	(38,042,309)	(37,098,034)	(37,990,103)	(37,043,961)
Impairment gains / (losses) on loans and advances		(12,419,930)	97,222	(12,419,930)	97,222
Profit before taxation		**58,993,830**	**54,671,368**	**58,959,132**	**54,570,970**
Taxation	10	(9,747,119)	(13,467,690)	(9,724,874)	(13,438,125)
Profit for the year		**49,246,711**	**41,203,678**	**49,234,258**	**41,132,845**

Other comprehensive income (net of tax):

Available for sale financial assets adjustments		5,933,989	(2,572,794)	5,943,988	(2,574,117)
Gains on property revaluation		7,251,352	-	7,251,352	-
Other comprehensive income / (loss) for the year (Net of tax)		**13,185,341**	**(2,572,794)**	**13,195,340**	**(2,574,117)**
Total comprehensive income		**62,432,052**	**38,630,884**	**62,429,598**	**38,558,728**
Proposed final dividend for the year		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 (in USh per share)

Basic and diluted	19.70	16.48	19.69	16.45

The notes on pages 31 to 71 form an integral part of the consolidated financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

		Group		Company	
	Note(s)	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000
Assets					
Cash and balances with Bank of Uganda	11	122,830,945	88,714,577	122,681,976	88,414,058
Government securities	12	474,587,240	267,329,020	474,587,240	267,329,020
Placements	12	244,555,358	210,502,754	244,555,358	210,502,754
Amounts due from overseas branches of parent bank (net)	13	7,549,222	2,516,876	7,549,222	2,516,876
Deposit and balances due from other financial institutions	14	17,235,382	10,680,261	17,235,382	10,680,261
Loans and advances to customers (net)	15	584,164,632	608,739,120	584,164,632	608,739,120
Other assets	16	3,394,014	2,791,092	3,223,241	2,608,474
Current tax receivable	17	753,478	540,238	727,926	531,125
Investments in subsidiaries		-	-	40,000	40,000
Deferred tax	18	2,055,050	1,497,378	2,055,402	1,494,994
Property and equipment	19	19,288,818	9,628,731	19,286,442	9,625,947
Intangible assets	20	26,936	20,521	26,936	20,521
Total Assets		**1,476,441,075**	**1,202,960,568**	**1,476,133,757**	**1,202,503,150**

Equity and Liabilities

Equity					
Share capital	21	25,000,000	25,000,000	25,000,000	25,000,000
Reserves		33,882,621	5,228,139	33,882,621	5,228,139
Proposed dividend		6,250,000	6,250,000	6,250,000	6,250,000
Retained earnings		212,354,048	184,816,545	211,871,523	184,346,406
		277,486,669	**221,294,684**	**277,004,144**	**220,824,545**
Liabilities					
Other financial liabilities	24	7,944,240	9,296,598	7,944,240	9,296,598
Customer deposits	25	1,162,823,597	947,823,823	1,163,065,364	947,975,755
Other liabilities	26	27,052,112	23,300,274	26,985,552	23,161,063
Retirement benefit obligation	27	1,134,457	1,245,189	1,134,457	1,245,189
Total Liabilities		**1,198,954,406**	**981,665,884**	**1,199,129,613**	**981,678,605**
Total Equity and Liabilities		**1,476,441,075**	**1,202,960,568**	**1,476,133,757**	**1,202,503,150**
Acceptances, guarantees & letters 30 of credit for which there are counter indemnities from customers		**113,358,162**	**134,133,518**	**113,358,162**	**134,133,518**

The consolidated financial statements and the notes on pages 26 to 71, were approved by the board of directors on the April 27, 2017 and were signed on its behalf by:

A. Malik

Mr. Anwar Malik
Executive Director

Mr. Ashwini Kumar
Managing Director

Mr. Dhizaala S. Moses
Chairman

The notes on pages 31 to 71 form an integral part of the consolidated financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Regulatory general credit risk reserve	Revaluation reserve	Fair value assets available for sale	Proposed dividend	Retained earnings	Total equity
	USh '000	USh '000	USh '000	USh '000	USh '000	USh '000	USh '000
Group							
Balance at January 1, 2015	**25,000,000**	**5,279,093**	**4,673,256**	**-**	**6,250,000**	**152,893,660**	**194,096,009**
Profit for the year	-	-	-	(2,572,794)	-	41,203,678	38,630,884
Total comprehensive income for the year	**-**	**-**	**-**	**(2,572,794)**	**-**	**41,203,678**	**38,630,884**
Transfer to investment fluctuation reserve	-	-	-	2,572,794	-	(2,572,794)	-
Appropriation of general reserve	-	(5,182,209)	-	-	-	-	(5,182,209)
Transfer to regulatory reserve	-	621,562	-	-	-	(621,562)	-
Transfer of excess depreciation on revaluation	-	-	(233,663)	-	-	233,663	-
Deferred tax on excess depreciation	-	-	70,100	-	-	(70,100)	-
Dividends paid	-	-	-	-	(6,250,000)	-	(6,250,000)
Dividends proposed	-	-	-	-	6,250,000	(6,250,000)	-
Balance at January 1, 2016	**25,000,000**	**718,446**	**4,509,693**	**-**	**6,250,000**	**184,816,545**	**221,294,684**
Profit for the year	-	-	-	-	-	49,246,711	49,246,711
Other comprehensive income	-	-	7,251,352	5,933,989	-	-	13,185,341
Total comprehensive income for the year	**-**	**-**	**7,251,352**	**5,933,989**	**-**	**49,246,711**	**62,432,052**
Transfer to regulatory reserves	-	20,791,428	-	-	-	(20,791,428)	-
Transfer of excess depreciation on revaluation (net of deferred tax)	-	-	(153,027)	-	-	153,027	-
Transfer to investment fluctuation reserves	-	-	-	(3,720,108)	-	3,730,041	9,933
Dividend paid	-	-	-	-	(6,250,000)	-	(6,250,000)
Dividend proposed	-	-	-	-	6,250,000	(6,250,000)	-
Transfer from revaluation reserve	-	-	(1,449,152)	-	-	1,449,152	-
Balance at December 31, 2016	**25,000,000**	**21,509,874**	**10,158,866**	**2,213,881**	**6,250,000**	**212,354,048**	**277,486,669**
Note(s)	21	22	23				
Company							

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Regulatory general credit risk reserve	Revaluation reserve	Fair value assets available for sale	Proposed dividend	Retained earnings	Total equity
Company	USh '000	USh '000	USh '000	USh '000	USh '000	USh '000	USh '000
Balance at January 1, 2015	**25,000,000**	**5,279,093**	**4,673,256**	**-**	**6,250,000**	**152,495,677**	**193,698,026**
Profit for the year	-	-	-	-	-	41,132,845	41,132,845
Other comprehensive income	-	-	-	(2,574,117)	-	-	(2,574,117)
Total comprehensive income for the year	**-**	**-**	**-**	**(2,574,117)**	**-**	**41,132,845**	**38,558,728**
Appropriation of general reserves	-	(5,182,209)	-	-	-	-	(5,182,209)
Transfer to regulatory reserves	-	621,562	-	-	-	(621,562)	-
Trf. of excess depreciation on revaluation (net of deferred tax)	-	-	(163,563)	-	-	163,563	-
Transfer to investment fluctuation reserves	-	-	-	2,574,117	-	(2,574,117)	-
Dividends paid	-	-	-	-	(6,250,000)	-	(6,250,000)
Dividends proposed	-	-	-	-	6,250,000	(6,250,000)	-
Balance at January 1, 2016	**25,000,000**	**718,446**	**4,509,693**	**-**	**6,250,000**	**184,346,406**	**220,824,545**
Profit for the year	-	-	-	-	-	49,234,258	49,234,258
Other comprehensive income	-	-	7,251,352	5,943,989	-	-	13,195,341
Total comprehensive income for the year	**-**	**-**	**7,251,352**	**5,943,989**	**-**	**49,234,258**	**62,429,599**
Transfer to regulatory reserves	-	20,791,428	-	-	-	(20,791,428)	-
Trf. of excess depreciation on revaluation (net of deferred tax)	-	-	(153,027)	-	-	153,027	-
Transfer to investment fluctuation reserves	-	-	-	(3,730,108)	-	3,730,108	-
Dividends paid	-	-	-	-	(6,250,000)	-	(6,250,000)
Dividends proposed	-	-	-	-	6,250,000	(6,250,000)	-
Transfer from revaluation reserve	-	-	(1,449,152)	-	-	1,449,152	-
Balance at December 31, 2016	**25,000,000**	**21,509,874**	**10,158,866**	**2,213,881**	**6,250,000**	**211,871,523**	**277,004,144**
Note(s)	21	22	23				

The notes on pages 31 to 71 form an integral part of the consolidated financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

		Group		Company	
		2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000
	Note(s)				
Cash flows from operating activities					
Interest receipts		153,398,434	128,610,751	153,372,658	128,510,104
Interest payments		(53,477,732)	(64,447,762)	(53,477,732)	(64,447,762)
Net fees and commission receipts		13,391,330	12,514,886	13,391,330	12,514,886
Other income received		3,209,616	3,187,049	3,240,762	3,133,226
Recoveries on loans previouslly written off		1,248,355	1,221,110	1,248,355	1,221,110
Payments to employees and suppliers		(36,875,791)	(27,564,219)	(36,761,276)	(27,510,635)
Changes in working capital:					
Loans and advances to customers (net)		12,154,558	(95,602,953)	12,154,558	(95,602,952)
Cash reserve requirement		(53,653,000)	(2,180,000)	(53,653,000)	(2,180,000)
Government securities maturing 90 days after date of acquisition		(66,234,764)	30,014,951	(66,234,763)	30,014,949
Other assets		(614,767)	(40,613)	(614,767)	7,415
Amounts due to overseas branches of parent company		-	(324,794)	-	(324,794)
Deposits and balances due to other financial institutions		-	(6,734,241)	-	(6,734,241)
Customer deposits		204,067,945	121,868,384	204,067,945	121,868,386
Other financial liabilities		(1,352,358)	(44,547,700)	(1,352,358)	(44,547,700)
Other liabilities		2,147,268	(30,268,053)	2,147,268	(30,383,650)
		177,409,094	**25,706,796**	**177,528,980**	**25,538,342**
Tax paid	17	(17,272,084)	(13,989,265)	(17,240,420)	(13,952,418)
Net cash from operating activities		**160,137,010**	**11,717,531**	**160,288,560**	**11,585,924**
Cash flows from investing activities					
Purchase of property and equipment	19	(693,193)	(938,825)	(693,193)	(938,825)
Sale of property and equipment	19	11,099	28,331	11,099	28,332
Purchase of other intangible assets	20	(32,810)	(15,187)	(32,810)	(15,188)
Net cash from investing activities		**(714,904)**	**(925,681)**	**(714,904)**	**(925,681)**
Cash flows from financing activities					
Dividends paid		(6,212,488)	(6,250,000)	(6,212,488)	(6,250,000)
Movement in cash and cash equivalents		**153,209,618**	**4,541,850**	**153,361,168**	**4,410,243**
Cash and cash equivalents at the beginning of the year		445,700,310	441,158,460	445,399,806	440,989,563
Total cash and cash equivalents at end of the year	29	**598,909,928**	**445,700,310**	**598,760,974**	**445,399,806**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

Corporate information

Bank of Baroda (U) Limited ("the bank") is a public limited company incorporated and domiciled in Uganda. The bank was incorporated on November 1, 1969.

The bank is principally engaged in business of commercial banking services. The Registered office of the company is:

Bank of Baroda (U) Limited
Plot 18, Kampala Road,
P O Box 7197
Kampala, Uganda

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

The consolidated and separate financial statements for the year ended December 31, 2016 were authorised for issue in accordance with a resolution of the directors on April 27, 2017.

1. Significant accounting policies

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

1.1 Basis of preparation

The consolidated and separate financial statements have been prepared on the going concern basis inaccordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act, 2012 and the Financial Institution Act, 2004 as ammended by The Financial Institutions (Amendment) Act, 2016.

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

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

Useful lives of property, plant 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.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies

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

Impairment losses on loans and advances

The bank reviews its loan portfolio to assess the likelihood of impairment at least on a quarterly basis. In determining whether a loan or advance is impaired, the makes judgement as to whether there is any evidence indicating that there is a measurable management decrease in the estimated future cash flows expected from that loan or advance.

Management use judgement based on historical experience for such assets with credit risk characteristics and as to whether there are any conditions that would indicate potential impairment. 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.

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.

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.

Impairment of financial assets classified as 'available for sale'

The bank determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in their fair values below its original cost. This determination of what is significant or prolonged requires significant judgement. In making this judgement, the bank evaluates among other factors, the volatility in share price and market prices for government securities. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Non financial assets

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

Held to maturity financial assets

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.

1.3 Interest income and expenses

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.

1.4 Fees and commission income and expenses

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.

1.5 Translation of foreign currencies

(i) Functional and presentation currency

Items included in the 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 (USh), which is the Bank's presentation currency and figures are stated in thousands of Shillings (USh `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.

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.

1.6 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 bank; 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 bank and rights from other contractual arrangements etc.

When the bank 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 bank obtains control over the subsidiary and ceases when the bank 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 bank gains control until the date the bank 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 bank and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

Intra-group balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-bank 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.

1.7 Financial instruments

The bank classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investment
- Loans, advances and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

(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'.

(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:

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 orcustomers 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 inthe 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.

(e) 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.

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 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.

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.

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.

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 as follows:

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

- Financial assets held for trading - Debt 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

(b) Loans and receivables

- Loans and advances to customers - Overdrafts, Credit cards, Term loans, mortgages etc.. to all types of customers
- Investment securities - Debt instruments - Listed and others

(c) Held-to-maturity Investments

- **Investment securities** - debt instruments - Listed, Unlisted

(d) Available-for-sale financial assets

- Investment securities - debt instruments - Listed
- Investment securities - equity securities - Listed, Unlisted

(e) Financial liabilities at amortised cost

- Deposit from customers
- Deposit from banks

(f) Off-balance sheet financial instruments

- Loan commitments
- Guarantees, acceptances and other financial liabilities

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:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- 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;
- 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
- 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 Board Credit Committee 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.

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 (Credit Classification and Provisioning) Regulation, 2015 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 The Financial Institutions (Credit Classification and Provisioning) Regulation, 2015, 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%; and
c) loss assets being facilities in arrears between over 360 days – 100%

(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 The Financial Institutions (Credit Classification and Provisioning) Regulation, 2015 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.

1.8 Property and equipment

Property and equipment are tangible assets which the bank holds for its own use or for rental to others and which are expected to be used for more than one year.

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

Property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent to initial recognition, property and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

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

Nature of assets	Depreciation method	Average useful life / % of depreciation
Buildings	Straight line	20 years
Furniture and fixtures	Written down value	12.50 %
Motor vehicles	Written down value	20.00 %
IT equipment	Straight line	3.33 years to 5 years

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

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

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

Impairment tests are performed on property and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

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

1.9 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.
Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.
The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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

Nature of intangible assets	Useful life
Computer software	3 years

1.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Income tax

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

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

Deferred 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 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 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 tax asset is realised or the deferred tax liability is settled.

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

Deferred 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 tax 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.

Current tax assets and liabilities

Current income tax is the amount of income tax claimable / payable at the end of the year.

Deferred tax assets and liabilities

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessee

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the lease period.

Prepaid operating lease rentals are recognised as an asset and are subsequently amortised over the lease period.

1.13 Employee 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.

1.14 Dividend

Proposed dividends are shown as a separate component of equity until declared.
Dividends are recognized as liabilities in the period in which they are approved by the bank's shareholders.

1.15 Contingent liabilities

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

1.16 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.

1.17 Foreign exchange forward contracts

Foreign exchange forward contracts are marked to market and are carried at their fair value and shown as commitments. Gains and losses on foreign exchange forward contracts are dealt with on a net basis in the profit or loss in the year in which they arise.

1.18 Provisions and contingencies

Provisions are recognised when:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.19 Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.20 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. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project

The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows excludes cash collected which must be remitted to a transferee. It also provides that when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset.

The effective date of the bank is for years beginning on or after January 1, 2016.

The group has adopted the amendment for the first time in the 2016 consolidated financial statements.

The impact of the amendment is not material.

Amendment to IAS 19: Employee Benefits: Annual Improvements project

The amendment clarifies that when a discount rate is determined for currencies where there is no deep market in high quality corporate bonds, then market yields on government bonds in that currency should be used.

The effective date of the bank is for years beginning on or after January 1, 2016.

The bank has adopted the amendment for the first time in the 2016 consolidated financial statements. The impact of the amendment is not material.

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its consolidated financial statements. It also provides amended guidance concerning the order of presentation of the notes in the consolidated financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

The effective date of the bank is for years beginning on or after January 1, 2016.

The bank has adopted the amendment for the first time in the 2016 consolidated financial statements. The impact of the amendment is not material.

Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project

The amendment allows an entity to present disclosures required by paragraph 16A either in the interim consolidated financial statements or by cross reference to another report, for example, a risk report, provided that other report is available to users of the consolidated financial statements on the same terms as the interim consolidated financial statements and at the same time.

The effective date of the bank is for years beginning on or after January 1, 2016.

The bank has adopted the amendment for the first time in the 2016 consolidated financial statements.

The impact of the amendment is not material.

Amendment to IAS 27: Equity Method in Separate Financial Statements

The amendment adds the equity method to the methods of accounting for investments in subsidiaries, associates and joint ventures in the separate consolidated financial statements of an entity.

The effective date of the amendment is for years beginning on or after January 1, 2016.

The bank has adopted the amendment for the first time in the 2016 consolidated financial statements. The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The bank has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the bank's accounting periods beginning on or after January 1, 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on	Expected impact:
• IFRS 16 Leases	January 1, 2019	Impact is currently being assessed
• IFRS 9 Financial Instruments	January 1, 2018	Impact is currently being assessed
• IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Impact is currently being assessed
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenu from Contracts with Customers	January 1, 2018	Unlikely there will be a material impact
• Amendments to IFRS 4: Applying IFRS 9 Financi Instruments with IFRS 4 Insurance Contracts	January 1, 2018	Unlikely there will be a material impact
• Amendments to IAS 7: Disclosure initiativ	January 1, 2017	Not expected to impact results but may result in additional disclosure

3. Financial risk management

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) Capital management

Internally imposed capital requirements

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

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;

- to comply with the capital requirements set by The Financial Institutions Act, 2004 as ammended by The Financial Institutions (Amendment) Act, 2016;

- 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; and

- to maintain an optimal capital structure to reduce the cost of capital.

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

Externally imposed capital requirements

Bank of Uganda requires each bank to: (a) hold the minimum level of regulatory capital of USh. 25 Billion as at 31 December 2016; (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 The Financial Institutions Act, 2004 as ammended by The Financial Institutions (Amendment) Act, 2016 are deducted in arriving at tier 1 capital

- Tier 2 capital (Supplementary capital): Revaluation reserves, general provisions, subordinated debt and hybrid capital instruments.

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

The table below summarizes the composition of the regulatory capital.

	2016 USh '000	2015 USh '000
Core capital (Tier 1)		
Share capital	25,000,000	25,000,000
Retained earnings	211,871,521	184,346,406
Intangible assets	(26,936)	(20,521)
Unrealised gain/losses on forex	(7,944)	(5,666)
Investments in subsidiaries	(40,000)	(40,000)
Deferred tax	(2,055,402)	(1,494,994)
Total Tier 1 Capital	**234,741,239**	**207,785,225**
Supplementary capital (Tier 2)		
Revaluation reserve	10,158,866	4,509,693
Unencumbered general provisions for losses	5,900,653	6,141,623
Total Tier 2 Capital	**16,059,519**	**10,651,316**
Tier 1 capital	234,741,239	207,785,225
Tier 2 capital	16,059,519	10,651,316
Total capital (Tier 1 + Tier 2)	**250,800,758**	**218,436,541**

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

3. Financial risk management (continued)

	2016			2015		
Particulars	Balance Sheet Nominal Amount USh '000	Risk Weight %	Risk Weighted Amount USh '000	Balance Sheet Nominal Amount USh '000	Risk Weight %	Risk Weighted Amount USh '000
Assets						
Cash and balance with BOU	122,681,976	0 %	-	88,414,058	0 %	-
Government securities	474,587,240	0 %	-	267,329,020	0 %	-
Placement with local banks	1,000,438	20 %	200,088	68,260,665	20 %	13,652,133
Placement with Bank of Baroda - India	218,171,243	20 %	43,634,249	106,630,291	20 %	21,326,058
Placement with Bank of Baroda -Kenya	25,383,676	100 %	25,383,676	35,611,798	100 %	35,611,798
Amount due from overseas branch of parent bank - BOB Kenya	13,408	100 %	13,408	50,805	100 %	50,805
Amount due from overseas branches of parent bank	7,535,814	20 %	1,507,163	2,466,071	20 %	493,214
Deposit and balances due from other financial institutions	17,235,382	20 %	3,447,076	10,680,261	20 %	2,136,052
Loans and advances to customers (Excluding loans secured by 100% cash margin)	555,060,347	100 %	555,060,347	569,749,375	100 %	569,749,375
Outstanding balance fully secured by FDR/SDR	37,538,380	-%	-	44,412,922	-%	-
Other assets	3,223,241	100 %	3,223,241	2,608,474	100 %	2,608,474
Current tax receivable	727,926	100 %	727,926	531,125	100 %	531,125
Investment in subsidiaries	40,000	0 %	-	40,000	0 %	-
Deferred tax	2,055,402	%	-	1,494,994	-%	-
Property and equipment	19,286,442	100 %	19,286,442	9,625,947	100 %	9,625,947
Intangible assets	26,936	-%	-	20,521	-%	-
Total assets	1,484,567,851		652,483,616	1,207,926,327		655,784,981
Off balance sheet items						
Contingencies secured by cash collateral	17,671,506	0 %	-	24,011,513	0 %	-
Direct credit substitutes (guarantees and acceptances)	44,811,619	100 %	44,811,619	54,138,834	100 %	54,138,834
Transaction related (performancebonds and standbys)	18,326,164	50 %	9,163,082	14,408,519	50 %	7,204,260
Documentary Credits (trade related and self liquidating)	28,400,673	20 %	5,680,135	32,539,792	20 %	6,507,958
Other Commitments (unused formal facilities)	4,148,200	50 %	2,074,100	9,034,860	50 %	4,517,430
Total off balance sheet items	113,358,162		61,728,936	134,133,518		72,368,482
Total risk weighted assets			714,212,552			728,153,463

	2016 Actual Ratios	**2016 Minimum Requirements**	**2015 Actual Ratios**	**2015 Minimum Requirements**
Core capital to risk assets ratio	32.87 %	8.00 %	28.54 %	8.00 %
Total capital to risk assets ratio	35.12 %	12.00 %	30.00 %	12.00 %

3. Financial risk management (continued)

Credit risk

The group 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 group 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.

- Loans and advances

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

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

- Investments

For investments, internal ratings taking into account the requirements of the Financial Institutions Act, 2004 as ammended by The Financial Institutions (Amendment) Act, 2016 are used by the bank for managing the credit risk exposures. The investments in those securities are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirment at the same time.

- Risk limit control and mitigation policies

The 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.

3. Financial risk management (continued)

- 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.

- 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.

3. Financial risk management (continued)

Maximum exposure to credit risk before collateral held

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000
Due from overseas branches of parent bank	7,549,222	2,516,876	7,549,222	2,516,876
Placement with other banks	244,555,358	210,502,754	244,555,358	210,502,754
Government security - available for sale	424,893,596	249,337,484	424,893,596	249,337,484
Government security - held to maturity	49,693,644	17,991,536	49,693,644	17,991,536
Other assets	3,394,014	2,791,092	3,223,241	2,608,474
Loans and advances to customers (net)	584,164,632	608,739,120	584,164,632	608,739,120
Credit exposure relating to off-balance sheet items:				
Contingencies securited by cash collateral	17,671,506	24,011,513	17,671,506	24,011,513
Direct credit substitutes (guarantees and acceptances)	44,811,619	54,138,834	44,811,619	54,138,834
Transaction related (performance bonds and standbys)	18,326,164	14,408,519	18,326,164	14,408,519
Documentary credits (trade related and self liquidating)	28,400,673	32,539,792	28,400,673	32,539,792
Other commitments (unsued formal facilities)	4,148,200	9,034,860	4,148,200	9,034,860
	1,427,608,628	**1,226,012,380**	**1,427,437,855**	**1,225,829,762**

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

As shown above, 40.92% (2015: 49.65%) of the total maximum exposure of the bank is derived from loans and advances to banks and customers. 33.25% (2015: 21.89%) represents investments in government securities.

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

- Impairment and provisioning policies

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

The impairment provision shown in the statement of financial position at the year-end is derived after taking various factors into consideration as described in the accounting policy. The bank's management uses basis under IAS 39 and the Prudential Guidelines to determine the amount of impairment.

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

- 80.69% (2015 : 98.22%) of the loans and advances portfolio are neither past due nor impaired
- 99.10% (2015 : 98.88%) of the loans are backed by collaterals
- 99.96% (2015 : 99.80%) of the investments in debt securities are government securities.
- The bank exercises stringent control over granting of new loans

Loans and advances are categorized as follows:

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000
Neither past due nor impaired	490,466,879	608,975,710	490,466,879	608,975,710
Past due but not impaired	26,283,466	3,922,273	26,283,466	3,922,273
Individually impaired	91,056,539	7,063,459	91,056,539	7,063,459
Gross advances	**607,806,884**	**619,961,442**	**607,806,884**	**619,961,442**
Less: allowance for impairment	(23,642,252)	(11,222,322)	(23,642,252)	(11,222,322)
Net advances	**584,164,632**	**608,739,120**	**584,164,632**	**608,739,120**

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

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

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:

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000
Past due up to 30 days	11,039,056	1,635,538	11,039,056	1,635,538
Past due 31 to 60 days	9,199,213	1,193,406	9,199,213	1,193,406
Past due 61 to 90 days	6,045,197	1,093,329	6,045,197	1,093,329
	26,283,466	**3,922,273**	**26,283,466**	**3,922,273**

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a substandard status and managed together with other similar accounts.Restructuring policies and practices are based on indicators or criteria which, in the judgment of the credit committee indicate that payment will most likely continue. These policies are kept under continuous review.

Individually assessed impaired loans and advances

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000
Loans				
Corporate	42,518,529	33,862	42,518,529	33,862
Retail	180,738	3,074,826	180,738	3,074,826
	42,699,267	3,108,688	42,699,267	3,108,688
Overdrafts				
Corporate	47,356,973	2,580,849	47,356,973	2,580,849
Retail	1,000,299	1,373,922	1,000,299	1,373,922
	48,357,272	3,954,771	48,357,272	3,954,771
Total impaired loans and advances	**91,056,539**	**7,063,459**	**91,056,539**	**7,063,459**

Concentration of credit risk

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

At December 31, 2016

	Loans and advances %	Credit commitments %	Customer deposits %
Manufacturing	31.88	23.48	8.79
Wholesale and retail trade	15.15	31.66	18.92
Transport and communication	0.79	-	0.03
Building and construction	15.78	6.64	1.78
Agricultural	21.50	9.78	4.14
Individuals	0.73	-	38.89
Others	14.17	28.44	27.45
Gross	**100.00**	**100.00**	**100.00**

At December 31, 2015

	Loans and advances %	Credit commitments %	Customer deposits %
Manufacturing	23.81	3.69	33.06
Wholesale and retail trade	28.98	5.70	31.45
Transport and communication	0.46	2.04	-
Building and construction	13.20	2.56	4.31
Agricultural	19.60	4.01	10.43
Individuals	0.71	78.56	13.58
Others	13.24	3.44	7.17
Gross	**100.00**	**100.00**	**100.00**

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.

At December 31, 2016

	Upto 1 month USh '000	1 to 3 months USh '000	3 to 12 months USh '000	1 to 5 years USh '000	Over 5 years USh '000	Total USh '000
Assets						
Cash and balances with BOU	**122,681,976**	**-**	**-**	**-**	**-**	**122,681,976**
Government securities and placements	**129,203,405**	**193,247,275**	**254,666,244**	**140,120,998**	**1,904,676**	**719,142,598**
Loans and advances to customers	**33,715,762**	**49,829,778**	**96,318,194**	**206,516,021**	**197,784,877**	**584,164,632**
Amounts due from overseas branches of parent bank (Net)	**7,549,222**	**-**	**-**	**-**	**-**	**7,549,222**
Deposit and balances due from other financial institutions	**17,235,382**	**-**	**-**	**-**	**-**	**17,235,382**
Other assets	**-**	**-**	**3,223,241**	**-**	**-**	**3,223,241**
Current tax receivable	**-**	**-**	**727,926**	**-**	**-**	**727,926**
Investment in subsidiaries	**-**	**-**	**-**	**-**	**40,000**	**40,000**
Deferred tax	**-**	**-**	**2,055,402**	**-**	**-**	**2,055,402**
Property and equipment	**-**	**-**	**-**	**45,233**	**19,241,209**	**19,286,442**
Intangible assets	**-**	**-**	**-**	**26,936**	**-**	**26,936**
Total assets	**310,385,747**	**243,077,053**	**356,991,007**	**346,709,188**	**218,970,762**	**1,476,133,757**

Liabilities and shareholders' equity

Customer deposits	173,559,281	239,388,482	579,718,576	5,857,971	164,541,054	1,163,065,364
Other financial liabilities	1,000,493	-	-	6,943,747	-	7,944,240
Other liabilities	-	-	26,985,552	-	-	26,985,552
Retirement benefit obligation	-	-	-	1,134,457	-	1,134,457
Shareholders' equity	-	-	-	-	277,004,144	277,004,144
Total liabilities and equity	174,559,774	239,388,482	606,704,128	13,936,175	441,545,198	1,476,133,757
Net liquidity gap	**135,825,973**	**3,688,571**	**(276,698,673)**	**332,773,013**	**(222,574,436)**	**-**
Off balance sheet items	21,507,833	27,005,598	63,355,485	1,489,246	-	113,358,162
Net liquidity gap including off balance sheet items	114,318,140	(23,317,027)	(340,054,158)	331,283,767	(222,574,436)	(113,358,162)

At December 31, 2015

Total assets	262,583,805	171,388,082	297,918,061	217,589,524	253,023,678	1,202,503,150
Total liabilities and equity	143,715,778	240,834,972	340,424,616	117,954,265	359,573,519	1,202,503,150
Net liquidity gap	**118,868,027**	**(69,446,890)**	**(42,506,555)**	**99,635,259**	**(106,549,841)**	**-**
Off balance sheet items	23,079,837	40,094,148	67,181,443	3,778,089	-	134,133,517
Net liquidity gap including off balance sheet items	95,788,190	(109,541,038)	(109,687,998)	95,857,170	(106,549,841)	(134,133,517)

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 2016 and 2015:

Bank VaR by risk type	Average USh '000	High USh '000	Low USh '000
12 Months ending December 31 2016			
Foreign exchange risk	6,126,115	6,502,203	5,558,145
Interest rate risk	2,109,156	2,262,666	1,873,089
	8,235,271	8,764,869	7,431,234
12 Months ending December 31 2015			
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**
Non trading portfolio VaR by risk type	**Average USh '000**	**High USh '000**	**Low USh '000**
12 Months ending December 31 2016			
Foreign exchange risk	6,126,115	6,502,203	5,558,145
Interest rate risk	2,109,156	2,262,666	1,873,089
	8,235,271	8,764,869	7,431,234
12 Months ending December 31 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**

Stress test

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

Foreign exchange risk

The 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.

	Group		Company	
	Effect on profit (decrease)		Effect on equity (decrease)	
Financial instrument	2016	2015	2016	2015
US Dollar	(2,105,285)	(2,742,995)	(2,105,285)	(2,742,995)
Euro	(2,408)	(36,703)	(2,408)	(36,703)
GBP	(180,839)	(47,662)	(180,839)	(47,662)
Others	(515,848)	(146,135)	(515,848)	(146,135)

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.

The significant currency positions are detailed below:

At December 31, 2016

	EURO	USD	GBP	USH	Others	Total
USh '000	USh '000	USh '000	USh '000	USh '000	USh '000	
Assets						
Cash and balances with BOU	340,322	7,057,681	343,965	114,929,867	10,141	122,681,976
Government securities and placements	-	231,523,719	12,031,200	475,587,679	-	719,142,598
Loans and advances to customers	-	392,939,568	-	191,225,064	-	584,164,632
Amounts due from overseas branches of parent bank (Net)	4,261,782	3,178,755	491,261	-	(382,576)	7,549,222
Deposits and balances due from other financial institutions	-	17,235,382	-	-	-	17,235,382
Other assets	-	-	-	2,832,679	390,562	3,223,241
Current tax receivable	-	-	-	727,926	-	727,926
Investment in subsidiaries	-	-	-	40,000	-	40,000
Deferred tax	-	-	-	2,055,402	-	2,055,402
Property and equipment	-	-	-	19,286,442	-	19,286,442
Intangible assets	-	-	-	26,936	-	26,936
Total assets	4,602,104	651,935,105	12,866,426	806,711,995	18,127	1,476,133,757

Liabilities and shareholders' equity

Customer deposits	3,808,474	631,205,982	12,808,845	515,223,936	18,127	1,163,065,364
Other financial liabilities	-	-	-	7,944,240	-	7,944,240
Other liabilities	-	-	-	26,985,552	-	26,985,552
Retirement benefit obligation	-	-	-	1,134,457	-	1,134,457
Capital and reserves	-	-	-	277,004,144	-	277,004,144
Total liabilities and equity	3,808,474	631,205,982	12,808,845	828,292,329	18,127	1,476,133,757
Net balance sheet position	**793,630**	**20,729,123**	**57,581**	**(21,580,334)**	**-**	**-**
Off balance sheet net notional position	5,442,674	85,069,803	133,680	22,712,005	-	113,358,162
Overall position	(4,649,044)	(64,340,680)	(76,099)	(44,292,339)	-	(113,358,162)

At December 31, 2015

Total assets	3,972,054	335,785,372	6,489,039	784,379,475	44,083	1,130,670,023
Total liabilities and equity	4,711,517	332,082,228	6,495,956	786,946,046	434,276	1,130,670,023
Net 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)

Exchange rates used for conversion of foreign items were:

	2016	2015
US Dollar	**3610.00**	**3380.00**
GBP	**4,456.00**	**5,007.00**
Euro	**3,795.00**	**3,678.00**
INR	**53.20**	**51.00**
KSh	**35.24**	**33.00**

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 below 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 or 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 December 31, 2016

	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	USh '000	USh '000	USh '000	USh '000	USh '000	USh '000	USh '000
Assets							
Cash and balances with BOU	122,681,976	-	-	-	-	-	122,681,976
Government securities and placements	129,203,405	193,247,275	254,666,244	140,120,998	1,904,676	-	719,142,598
Loans and advances to customers	33,715,762	49,829,778	96,318,194	206,516,021	197,784,877	-	584,164,632
Amounts due from overseas branches of parent bank (Net)	7,549,222	-	-	-	-	-	7,549,222

Deposits and balances due from other financial institutions	15,917,727	-	-	-	-	1,317,655	17,235,382
Other assets	-	-	-	-	-	3,223,241	3,223,241
Current tax receivable	-	-	-	-	-	727,926	727,926
Investment in subsidiaries	-	-	-	-	-	40,000	40,000
Deferred tax	-	-	-	-	-	2,055,402	2,055,402
Property and equipment	-	-	-	-	-	19,286,442	19,286,442
Intangible assets	-	-	-	-	-	26,936	26,936
Total assets	309,068,092	243,077,053	350,984,438	346,637,019	199,689,553	26,677,602	1,476,133,757

Liabilities and shareholders' equity

Customer deposits	94,982,276	131,008,049	579,718,576	5,857,971	164,541,054	186,957,438	1,163,065,364
Other financial liabilities	1,000,493	-	-	6,943,747	-	-	7,944,240
Other liabilities	-	-	-	-	-	26,985,552	26,985,552
Retirement benefit obligation	-	-	-	-	-	1,134,457	1,134,457
Capital and reserves	-	-	-	-	-	277,004,144	277,004,144
Total liabilities and equity	95,982,769	131,008,049	579,718,576	12,801,718	164,541,054	492,081,591	1,476,133,757
Interest sensitivity gap	**213,085,323**	**112,069,004**	**(228,734,138)**	**333,835,301**	**35,148,499**	**(465,403,989)**	**-**

At December 31, 2015

Total assets	174,169,747	171,388,082	294,778,462	217,589,524	241,842,216	102,735,119	1,202,503,150
Total liabilities and 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	**33,733,288**	**(63,070,297)**	**(37,109,989)**	**104,604,245**	**104,338,431**	**(142,495,678)**	**-**

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:

2016	USh	USD	GBP	EURO
Particulars				
Government Securities	16.68 %	-%	-%	-%
Other financial assets	13.95 %	1.73 %	0.25 %	-%
Customer deposits	6.09 %	-%	-%	-%
2015	**USh**	**USD**	**GBP**	**EURO**
Particulars				
Government Securities	17.42 %	-%	-%	-%
Other financial assets	13.42 %	0.68 %	0.42 %	1.83 %
Customer deposits	6.21 %	-%	-%	-%
	37.05%	**0.68 %**	**0.42 %**	**1.83 %**

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.

Interest rate risk sensitivity

As at December 31, 2016, if the weighted average interest rate for loans and advances to customers and at that date had been 10% lower/higher with all other variables held constant, post-tax profit for the year would have been USh. 57,869 million (2015: USh. 49,548 million) lower/higher, arising mainly as a result of change in interest income.

As at December 31, 2016, if the weighted average interest rate for customer deposits and deposits from other banking institutions, at that date had been 10% lower/higher with all other variables held constant, post-tax profit for the year would have been USh. 55,184 million (2015: USh. 46,609 million) lower/higher, arising mainly as a result of change in interest expense.

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.

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

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

Risk measurement and control

Interest rate, currency, credit, liquidity and other risks are actively managed by management to ensure compliance with the 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.

4. 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.

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000

5.Interest income				
Income from treasury bills	54,078,972	38,292,339	54,078,972	38,292,339
Income from treasury bonds	95,088	208,214	95,088	208,214
Income earned from placements, corporate bonds and repos	9,963,370	5,646,986	9,963,370	5,646,986
Income from loans and advances	87,528,119	84,209,050	87,528,119	84,209,050
	151,665,549	**128,356,589**	**151,665,549**	**128,356,589**

6.Interest expense				
Demand deposits	71,487	53,895	71,487	53,895
Savings accounts	1,836,153	1,681,582	1,836,153	1,681,582
Time deposits	57,997,506	51,614,437	57,997,506	51,614,437
Others	271,685	748,585	271,685	748,585
	60,176,831	**54,098,499**	**60,176,831**	**54,098,499**

7.Non interest income / other income				
Fees and commission income	14,639,685	13,735,996	14,639,685	13,735,996
Profit on sale of investments	1,104,704	1,359,107	1,104,704	1,359,107
Unrealised forex differences	(7,944)	(5,666)	(7,944)	(5,666)
Other income	86,904	154,471	-	-
Realised net gain arising from dealing in foreign currencies	2,144,002	2,156,782	2,144,002	2,156,782
Profit or loss on sale of assets	-	13,400	-	13,400
	17,967,351	**17,414,090**	**17,880,4470**	**17,259,619**

8.Non interest expenses				
Administration and management fees	4,498,866	4,355,640	4,498,866	4,355,640
Advertising	443,721	245,514	443,721	245,514
Auditor's remuneration	127,794	143,166	123,534	141,391
Bad debts written off	6,399,861	10,888,468	6,399,861	10,888,468
Consulting and professional fees	216,773	153,930	216,773	153,930
Depreciation, amortisation and impairments (notes 19 & 20)	1,399,784	1,387,912	1,399,376	1,387,412
Directors' emoluments	129,286	136,726	129,286	136,726
Employee costs (note 9)	15,394,902	9,935,421	15,367,808	9,911,160
Fines and penalties	300,000	-	300,000	-
General expenses	6,454,385	5,604,709	6,433,941	5,577,172
Loss on sale of investments	23,065	1,638,050	23,065	1,638,050
Profit or loss on sale of assets	7,693	-	7,693	-
Rents and rates	2,121,034	1,992,852	2,121,034	1,992,852
Repairs and maintenance	525,145	615,646	525,145	615,646
	38,042,309	**37,098,034**	**37,990,103**	**37,043,961**

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000
9.Employee costs				
Employee costs				
Basic	10,940,404	8,634,262	10,913,310	8,610,001
Other short term costs	523,282	455,606	523,282	455,606
Post employment benefits	3,931,216	845,553	3,931,216	845,553
	15,394,902	**9,935,421**	**15,367,808**	**9,911,160**
10. Taxation				
Major components of the tax expense				
Current				
Local income tax - current period	6,738,824	5,521,897	6,723,600	5,492,305
Local income tax - recognised in current tax for prior periods	279,599	-	279,599	-
WHT as final tax	8,937,228	7,684,091	8,937,228	7,684,091
	15,955,651	**13,205,988**	**15,940,427**	**13,176,396**
Deferred				
Originating and reversing temporary differences	(4,045,439)	261,702	(4,052,460)	261,729
Arising from prior period adjustments	(2,163,093)	-	(2,163,093)	-
	(6,208,532)	**261,702**	**(6,215,553)**	**261,729**
	9,747,119	**13,467,690**	**9,724,874**	**13,438,125**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	58,993,830	54,671,368	58,959,132	54,570,970
Tax at the applicable tax rate of 30% (2015: 30%)	17,698,149	16,401,410	17,687,740	16,371,291
Tax effect of adjustments on taxable income				
Prior period errors	(1,871,659)	(10,875)	(1,883,495)	-
WHT as final tax	8,937,228	7,684,091	8,937,228	7,684,091
Income subject to final tax	(15,255,060)	(11,430,258)	(15,255,060)	(11,428,703)
Expenses not deductible for tax purposes	238,461	823,322	238,461	811,446
	9,747,119	**13,467,690**	**9,724,874**	**13,438,125**
11. Cash and balances with Bank of Uganda				
Cash and cash equivalents consist of:				
Cash on hand	11,495,310	8,500,045	11,495,310	8,494,029
Balances with Bank of Uganda	111,186,666	79,920,029	111,186,666	79,920,029
Balance with other bank	148,969	294,503	-	-
	122,830,945	**88,714,577**	**122,681,976**	**88,414,058**

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000

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 December 31, 2016, the mandatory deposits were 8% of total deposits (2016: 8% of total deposits).

12. Government securities				
Available-for-sale				
Treasury bills upto 364 days	259,625,334	169,555,857	259,625,334	169,555,857
Treasury bonds	158,551,072	77,052,068	158,551,072	77,052,068
Corporate bonds	155,967	406,802	155,967	406,802
Interest receivable	6,561,223	2,322,757	6,561,223	2,322,757
	424,893,596	**249,337,484**	**424,893,596**	**249,337,484**
Held-to-maturity				
Deposit with Bank of Uganda	5,005,137	-	5,005,137	-
Treasury bonds after 1 year	12,656,945	17,991,536	12,656,945	17,991,536
Repurchase agreement with Bank of Uganda	32,031,562	-	32,031,562	-
	49,693,644	**17,991,536**	**49,693,644**	**17,991,536**
Due from other financial institutions				
Placement with other financial institutions	244,555,358	210,502,754	244,555,358	210,502,754
Total other financial assets	**719,142,598**	**477,831,774**	**719,142,598**	**477,831,774**
Current assets				
Available-for-sale	424,893,596	249,337,484	424,893,596	249,337,484
Held to maturity	49,693,644	17,991,536	49,693,644	17,991,536
Due from other financial institutions	244,555,358	210,502,754	244,555,358	210,502,754
	719,142,598	**477,831,774**	**719,142,598**	**477,831,774**

Movement in investment securities - available-for-sale

Reconciliation of financial assets at fair value through profit or loss - Group - 2016

	Opening balance (net)	Net gain/(loss) in fair value of available-for sale securities	Addition / (deduction)	Interest receivable	Closing balance
Available-for-sale	249,337,484	3,162,687	165,832,203	6,561,222	424,893,596

Reconciliation of financial assets at fair value through profit or loss - Group - 2015

	Opening balance (net)	Net gain/(loss) in fair value of available-for sale securities	Addition / (deduction)	Interest receivable	Closing balance
Available-for-sale	370,631,738	(5,264,311)	(118,352,700)	2,322,757	249,337,484

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000

Reconciliation of financial assets at fair value through profit or loss - Company - 2016

	Opening balance (net)	Net gain/(loss) in fair value of available-for sale securities	Addition / (deduction)	Interest receivable	Closing balance
Available-for-sale	249,337,484	3,162,687	165,832,203	6,561,222	424,893,596

Reconciliation of financial assets at fair value through profit or loss - Company - 2015

	Opening balance (net)	Net gain/(loss) in fair value of available-for sale securities	Addition / (deduction)	Interest receivable	Closing balance
Available-for-sale	370,631,738	(5,264,311)	(118,352,700)	2,322,757	249,337,484

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 December 31, 2016 was 17.07% and on treasury bills 16.43% (2015: treasury bonds 15.56% and treasury bills19.28%).

The weighted average effective rate of interest on local placements as at December 31, 2016 was 13.95% and foreign placements 1.73% (2015: local placements 13.42% and foreign placements 0.60%).

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

There were no gains or losses realised on the disposal of held-to-maturity financial assets in 2016 and 2015, as all the financial assets were disposed of at their redemption date.

As at the reporting date the bank pledged treasury bills of 91 days to USh 1376.90 million (2015: USh 822.80 million) with Bank of Uganda

13. Amounts due from / (to) overseas branches of parent bank Fellow subsidiaries

Bank of Baroda, London - GBP	491,261	343,854	491,261	343,854
Bank of Baroda, Nairobi - KSh	13,408	50,805	13,408	50,805
Bank of Baroda, Mumbai - INR	(395,984)	66,825	(395,984)	66,825
Bank of Baroda, Brussels - Euro	4,261,782	1,839,880	4,261,782	1,839,880
Bank of Baroda, New York - US Dollar	3,178,755	215,512	3,178,755	215,512
	7,549,222	2,516,876	7,549,222	2,516,876
	7,945,206	**2,516,876**	**7,549,222**	**2,516,876**
Current assets	7,945,206	2,516,876	7,945,206	2,516,876
Current liabilities	(395,984)	-	(395,984)	-
	7,549,222	**2,516,876**	**7,549,222**	**02,516,876**

The weighted average effective interest rate on deposits due from overseas branches of parent company as at December 31, 2016 was 1.73% (2015: 0.28%).

14. Deposit and balances due from other financial institutions

Due from other financial institutions - in Uganda	15,917,727	10,140,000	15,917,727	10,140,000
Due from other financial institutions - outside Uganda	1,317,655	540,261	1,317,655	540,261
	17,235,382	**10,680,261**	**17,235,382**	**10,680,261**

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000

15. Loans and advances to customers (net)

Overdrafts	318,331,434	336,286,533	318,331,434	336,286,533
Demand and term loans	289,058,400	283,251,853	289,058,400	283,251,853
Personal loans	417,050	423,056	417,050	423,056
Gross loans and advances to customers	607,806,884	619,961,442	607,806,884	619,961,442
Provision for impaired loans and advances (Specific)	(17,741,599)	(5,073,442)	(17,741,599)	(5,073,442)
Provision for impaired loans and advances (General)	(5,900,653)	(6,148,880)	(5,900,653)	(6,148,880)
Loans and advances to customers net of impairment	**584,164,632**	**608,739,120**	**584,164,632**	**608,739,120**

Reconciliation of provision for impairment of loans and advances

Opening balance	11,222,322	11,319,542	11,222,322	11,319,542
Increase in provisions	22,562,127	13,559,660	22,562,127	13,559,660
Recoveries / upgradation	(3,609,181)	(2,938,730)	(3,609,181)	(2,938,730)
Write off during the year	(6,533,016)	(10,718,150)	(6,533,016)	(10,718,150)
	23,642,252	**11,222,322**	**23,642,252**	**11,222,322**

All impaired loans have been written down to their estimated recoverable amount. The aggregate carrying amount of impaired loans at 31 December 2016 was USh 77,656 million (2015: USh 7,063.46 million) on which provision of USh 17,742 million (2015: USh 5,073.44 million).

Advances to customers include loans to employees of USh 417 million (2015: USh 423 million). The weighted average effective interest rate on local currency loans and advances to customers as at December 31, 2016 was 19.08% (2015: 19.79%) and 8.05% (2015: 8.19%) for foreign currency loans and advances

16. Other assets

Clearing account	30,628	106,916	30,628	106,916
Others	3,363,386	2,684,176	3,192,613	2,501,558
	3,394,014	**2,791,092**	**3,223,241**	**2,608,474**

17. Current tax receivable / tax paid

Balance at beginning of the year	540,238	(244,226)	531,125	(244,897)
Current tax for the year recognised in profit or loss	(15,955,651)	(13,205,988)	(15,940,427)	(13,176,396)
Balance at end of the year	(753,478)	(540,238)	(727,926)	(531,125)
	(16,168,891)	**(13,990,452)**	**(16,137,228)**	**(13,952,418)**

18. Deferred tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2015: 30%). The movement on the deferred income tax account is as follows:

Deferred tax asset (liability)	2,055,050	1,497,378	2,055,402	1,494,994

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000

Reconciliation of deferred tax asset / (liability)

At beginning of year	1,497,378	656,453	1,494,994	653,530
Excess depreciation over capital allowances	32,673	36,412	32,644	36,385
Property revaluations	(2,789,292)	70,099	(2,789,292)	70,099
Fair value reserves-available for sale securities	(2,543,288)	1,102,627	(2,547,573)	1,103,192
(charged to statement of comprehensive income)				
Provisions	4,019,965	(368,213)	4,019,965	(368,212)
Prior period error	1,837,614	-	1,844,664	-
	2,055,050	**1,497,378**	**2,055,402**	**1,494,994**

19. Property and equipment

Group	2016			2015		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	8,700,000	-	8,700,000	-	-	-
Buildings	13,067,409	(6,071,409)	6,996,000	11,408,334	(5,500,992)	5,907,342
Furniture and fixtures	7,135,719	(4,260,979)	2,874,740	6,811,734	(3,874,587)	2,937,147
Motor vehicles	1,153,180	(887,629)	265,551	1,039,780	(842,020)	197,760
IT equipment	4,231,849	(3,779,322)	452,527	4,055,047	(3,468,565)	586,482
Total	**34,288,157**	**(14,999,339)**	**19,288,818**	**23,314,895**	**(13,686,164)**	**9,628,731**

Company	2016			2015		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	8,700,000	-	8,700,000	-	-	-
Buildings	13,067,409	(6,071,409)	6,996,000	11,408,334	(5,500,992)	5,907,342
Furniture and fixtures	7,129,016	(4,256,460)	2,872,556	6,805,031	(3,870,380)	2,934,651
Motor vehicles	1,153,180	(887,629)	265,551	1,039,780	(842,020)	197,760
IT equipment	4,227,515	(3,775,180)	452,335	4,050,713	(3,464,519)	586,194
Total	**34,277,120**	**(14,990,678)**	**19,286,442**	**23,303,858**	**(13,677,911)**	**9,625,947**

Reconciliation of property and equipment - Group - 2016

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	-	-	-	8,700,000	-	-	8,700,000
Buildings	5,907,342	-	-	(8,700,000)	10,359,075	(570,417)	6,996,000
Furniture and fixtures	2,937,147	363,841	(15,571)	-	-	(410,677)	2,874,740
Motor vehicles	197,760	137,400	(3,221)	-	-	(66,388)	265,551
IT equipment	586,482	191,952	-	-	-	(325,907)	452,527
	9,628,731	**693,193**	**(18,792)**	**-**	**10,359,075**	**(1,373,389)**	**19,288,818**

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000

Reconciliation of property and equipment - Group - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	6,270,242	207,517	-	(570,417)	5,907,342
Furniture and fixtures	2,879,410	492,260	(14,932)	(419,591)	2,937,147
Motor vehicles	247,200	-	-	(49,440)	197,760
IT equipment	680,439	239,048	-	(333,005)	586,482
	10,077,291	**938,825**	**(14,932)**	**(1,372,453)**	**9,628,731**

Reconciliation of property and equipment - Company - 2016

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	-	-	-	8,700,000	-	-	8,700,000
Buildings	5,907,342	-	-	(8,700,000)	10,359,075	(570,417)	6,996,000
Furniture and fixtures	2,934,651	363,841	(15,571)	-	-	(410,365)	2,872,556
Motor vehicles	197,760	137,400	(3,221)	-	-	(66,388)	265,551
IT equipment	586,194	191,952	-	-	-	(325,811)	452,335
	9,625,947	**693,193**	**(18,792)**	**-**	**10,359,075**	**(1,372,981)**	**19,286,442**

Reconciliation of property and equipment - Company - 2015

Opening		Additions	Disposals	Depreciation	Total
balance					
Buildings	6,270,242	207,517	-	(570,417)	5,907,342
Furniture and fixtures	2,876,557	492,261	(14,932)	(419,235)	2,934,651
Motor vehicles	247,200	-	-	(49,440)	197,760
IT equipment	680,008	239,047	-	(332,861)	586,194
	10,074,007	**938,825**	**(14,932)**	**(1,371,953)**	**9,625,947**

Changes in estimates

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

Leasehold land

IAS 17 requires that payment made to secure a lease for land should be presented as prepaid operating lease rentals under non-current assets in the balance sheet and amortised over the period of the lease. In view of the difficulty in apportioning the cost of land from the purchase price, since these properties were already developed prior to acquisition, and the weak market price of land outside Kampala resulting in a significant portion of the valuation being attributed to the leasehold improvements, management have attributed the entire valuation to leasehold improvements. Leasehold land is therefore not considered material to warrant separate disclosure. Land and buildings on lease are therefore deemed to represent buildings and therefore presented as part of Property and Equipment and depreciated at 5%.

Revaluations

The bank's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses.

During the year 2016, the fair value measurements of lands and buildings were performed by Ideal Surveyors, Valuers and Real Estate Management Consultants, independent valuers not related to the bank. Ideal Surveyors, Valuers and Real Estate Management Consultants have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

During the reconciliation of revaluation reserve and amount of revaluation included in property and equipment, the management identified over deprecition charged in previous years amounting to USh 1,449,152 thousands. The same has been transfered to retained earnings during the year 2016.

The bank has freehold title of the above land. Since foreign entities are prohibited from owning freehold land, the bank is in the process of converting the title of land. Until previous year, the value of land was not available and therefore land and building were shown together. However, as at December 31, 2016, the bank revalued land and building and based on the independent valuation report and the same has been used to show finance lease land separately from buidlings. Currently there is no finite useful life of the land and hence land is not amoritised.

The carrying value of the revalued assets under the cost model would have been:

Land	Nil	Nil	Nil	Nil
Buildings	1,262,258	1,535,139	1,262,258	1,535,139
	1,262,258	**1,535,139**	**1,262,258**	**1,535,139**

20. Intangible assets

Group	2016			2015		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	132,471	(105,535)	26,936	99,661	(79,140)	20,521

Company	2016			2015		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	132,471	(105,535)	26,936	99,661	(79,140)	20,521

Reconciliation of intangible assets - Group - 2016				
	Opening balance	Additions	Amortisation	Total
Computer software, other	20,521	32,810	(26,395)	26,936
Reconciliation of intangible assets - Group - 2015				
	Opening balance	Additions	Amortisation	Total
Computer software, other	20,792	15,188	(15,459)	20,521

Reconciliation of intangible assets - Company - 2016				
	Opening balance	Additions	Amortisation	Total
Computer software	20,521	32,810	(26,395)	26,936
Reconciliation of intangible assets - Company - 2015				
	Opening balance	Additions	Amortisation	Total
Computer software	20,792	15,188	(15,459)	20,521

21. Share capital

Authorised				
2,500,000,000 Ordinary shares of USh 10 each	25,000,000	25,000,000	25,000,000	25,000,000
Reconciliation of number of shares issued:				
Reported as at January 1, 2016	2,500,000	2,500,000	2,500,000	2,500,000
Issued				
Ordinary	25,000,000	25,000,000	25,000,000	25,000,000

22. Regulatory general credit risk reserve

At start of the year	718,446	5,279,094	718,446	5,279,094
Transfer from retained earnings	20,791,428	621,562	20,791,428	621,562
Transfer to collective impairment provisions	-	(5,182,210)	-	(5,182,210)
At end of the year	**21,509,874**	**718,446**	**21,509,874**	**718,446**

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.

23. Revaluation reserve

At start of the year	4,509,693	4,673,257	4,509,693	4,673,257
Transfered to retained earnings	(1,449,152)	-	(1,449,152)	-
Revaluation as at year end	10,359,074	-	10,359,074	-
Deferred tax on revaluation during the year	(3,107,722)	-	(3,107,722)	-
Transfer of excess depreciation on revaluation	(218,610)	(233,663)	(218,610)	(233,663)
Deferred tax on transfer of excess depreciation	65,583	70,099	65,583	70,099
At end of the year	**10,158,866**	**4,509,693**	**10,158,866**	**4,509,693**

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.

24. Other financial liabilities

Held at amortised cost

Bank of Uganda - Agriculture Credit Facility	6,943,747	9,296,598	6,943,747	9,296,598
Guaranty Trust Bank (Uganda) Limited	1,000,493	-	1,000,493	-
	7,944,240	**9,296,598**	**7,944,240**	**9,296,598**

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 December 31 2016 was USh 15,836 million (2015: USh 9,297 million).

The weighted average effective rate of interest on foreign bank borrowings as at December 31 2016 was 1.12% (2015: 0.45%). The weighted average effective rate of interest on local bank borrowings as at December 31, 2015 was 10.72% (2015: 9.99%).

Current liabilities

At amortised cost	7,944,240	9,296,598	7,944,240	9,296,598

25. Customer deposits

Current and demand accounts	189,807,371	151,823,944	189,807,371	151,823,944
Savings accounts	161,764,881	134,309,073	161,764,881	134,309,073
Term deposits	811,251,345	661,690,806	811,493,112	661,842,738
	1,162,823,597	**947,823,823**	**1,163,065,364**	**947,975,755**

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000

Analysis of customer deposits by maturity

Payable within 90 days	412,947,763	374,894,837	412,947,763	374,894,837
Payable after 90 days and within one year	579,718,576	331,888,451	579,718,576	331,888,451
Payable after one year	170,157,258	241,040,535	170,399,025	241,192,467
	1,162,823,597	**947,823,823**	**1,163,065,364**	**947,975,755**

Included in customer accounts were deposits of USh. 9,853 million (2015: USh 34,102 million) held as collateral for loans and advances. The fair value of these deposits approximates to the carrying amount.
The weighted average effective interest rate on interest bearing current and savings deposits as on December 31, 2016 was 0.70% (2015: 0.73%) and 8.15% (2015: 8.04%) on time deposits.

26. Other liabilities

Unearned interest	18,415,250	16,708,140	18,415,250	16,708,140
Bills payable	240,157	210,621	240,157	210,621
Uncleared effects (net)	279,685	347,269	279,685	347,269
Other liabilities	8,117,020	6,034,244	8,050,460	5,895,033
	27,052,112	**23,300,274**	**26,985,552**	**23,161,063**

27. Retirement benefit obligation

Carrying value

Provision for gratuity	1,134,457	1,245,189	1,134,457	1,245,189

Movements for the year

Opening balance	1,245,189	1,353,891	1,245,189	1,353,891
Contributions	20,117	59,414	20,117	59,414
Benefits paid	(130,849)	(168,116)	(130,849)	(168,116)
	1,134,457	**1,245,189**	**1,134,457**	**1,245,189**

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.

28. Dividend payable

The proposed dividend for the year 2016 is USh 6,250,000,000 (2015: USh 6,250,000,000). The dividend is at 25% of paid up share capital of USh 25,000,000,000 (2015: 25% of paid up share capital of USh 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.

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000

29. Analysis of cash and cash equivalents

Cash and balances with Bank of Uganda	138,599,703	88,714,577	138,599,703	88,414,058
Cash reserve requirement	(89,923,000)	(36,270,000)	(89,923,000)	(36,270,000)
Government securities maturing within 90 days of the date of acquisition (note 12)	259,625,334	169,555,857	259,625,334	169,555,857
Placements with other banks	281,741,018	210,502,754	281,592,049	210,502,754
Amounts due from overseas branches of parent company	7,549,223	2,516,861	7,549,223	2,516,876
Deposits and balances due from other banks (note 15)	1,317,665	10,680,261	1,317,665	10,680,261
	598,909,943	**445,700,310**	**598,760,974**	**445,399,806**

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

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

30. 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.

Contingencies and commitments				
Contingencies securited by cash collateral	17,671,506	24,011,513	17,671,506	24,011,513
Direct credit substitutes (guarantees and acceptances)	44,811,619	54,138,834	44,811,619	54,138,834
transactions related (performance bonds and standbys)	18,326,164	14,408,519	18,362,164	14,408,519
Documentary credits (trade related and self liquidating)	28,400,673	32,539,792	28,400,673	32,539,792
Other commitments (unused formal facilities)	4,148,200	9,034,860	4,148,200	9,034,860
	113,358,162	**134,133,518**	**113,394,162**	**134,133,518**

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000

Holding company Subsidiaries Associates	Bank of Baroda, India Baroda Capital Markets (U) Limited Bank of Baroda, London Bank of Baroda (Kenya) Limited Bank of Baroda, Brussels Bank of Baroda, New york Bank of Baroda, Newzealand Bank of Baroda, Seychelles Bank of Baroda, Dubai
Members of key management	Mr B. S. Dhaka - Managing Director (Upto October 14, 2016) Mr. Ashwini Kumar - Managing Director Mr O. P. Khatkar (Upto August 1, 2016) Mr. R B L Gupta - Assistant General Manager Mr. Anwar Malik - Executive Directors Mr. Manoj Kumar Bakshi - Company secretary Mr. K. R. Meena - Internal auditor Mr. Mahesh Arora - Chief manager IT Mr. Obong S. - Compliance officer Mr. Prithiwijit Gosh - Senior manager treasury Mrs. Victoria Ocici - Head of risk management

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:

Related party transactions

Administration fees paid to (received from)related parties				
Bank of Baroda, India	4,498,866	4,355,640	4,498,866	4,355,640
Key management compensation				
Salaries and other short-term employment benefits	684,202	710,264	684,202	710,264
Directors' remuneration and benefits				
Directors' remuneration and benefits	285,986	331,226	285,986	331,226
Fees for services as a Director	9,300	9,400	9,300	9,400
Related party balances				
Amounts (due to) / from overseas branches of parent bank				
Bank of Baroda, London	491,261	343,854	491,261	343,854
Bank of baroda, Nairobi	13,408	50,805	13,408	50,805
Bank of Baroda Mumbai	(395,984)	66,825	(395,984)	66,825
Bank of Baroda, Brussels	4,261,782	1,839,880	4,261,782	1,839,880
Bank of Baroda, New York	3,178,755	215,512	3,178,755	215,512

Other balances (due to) / from overseas branches of parent bank

Bank of Baroda, London	48,218,442	-	48,218,442	-
Bank of Baroda, Nairobi	25,383,675	-	25,383,675	-

	Group		Company	
	2016 USh '000	2015 USh '000	2016 USh '000	2015 USh '000

31. Related parties (continued)

Bank of Baroda, Brussels	151,902,803	-	151,902,803	-
Bank of Baroda, Seychelles	36,100,000	33,800,000	36,100,000	33,800,000
Bank of Baroda, New York	18,050,501	-	18,050,501	-
Bank of Baroda, Newzealand	7,358,606	6,781,575	7,358,606	6,781,575
Bank of Baroda, Dubai	-	27,040,000	-	27,040,000

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.

Profit attributable to equity holders of the Bank (USh'000)	49,246,712	41,203,677	49,234,259	41,132,843
Weighted average number of ordinary shares in issue (USh '000)	2,500,000	2,500,000	2,500,000	2,500,000
Basic earnings per share (USh)	19.70	16.48	19.69	16.45
Diluted earnings per share (USh)	19.70	16.48	19.69	16.45

There were no potentially dilutive shares outstanding at December 31 2016 or 2015. Diluted earnings per share are therefore the same as basic earnings per share.

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Property and equipment	446,132	-	446,132	

34. 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.

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 47th Annual General Meeting of the Company, to be held on the 12th June 2017 and at every

adjournment thereof

As witness my / out hand(s) this..............................day of..................................2017.

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 47th 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...

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: 0434-242400

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
Tel: 0414-256183

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
Tel: 0414-448005

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

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Regulated by Bank of Uganda

Serving the People of Uganda since 1953