Bank of Baroda (Uganda) Limited

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

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CONTENTS

LIST OF ACRONYMS

ACH	Automated Clearing House
AGM	Annual General Meeting
ATM	Automated Teller Machine
BALCO	Bank Asset and Liability Committee
BOBUL	Bank of Baroda (Uganda) Limited
BN	Billion
BOU	Bank of Uganda
CBS	Core Banking System
CCF	Credit Conversion Factor
CCTV	Closed Circuit Television
CGU	Cash Generating Unit
CPA	Certified Public Accountants
CRM	Credit Risk Management
CSR	Corporate Social Responsibility
CTS	Cheque Clearing Systems
DRS	Disaster Recovery Site
EAD	Exposure at Default
ECL	Expected Credit Loss
ED	Executive Director
EFT	Electronic Funds Transfer
EIR	Effective Interest Rate
FI	Financial Institution
FUE	Federation of Uganda Employers
FVPL	Fair Value Through Profit and Loss
FVTOCI	Fair Value Through Other Comprehensive Income
IAS	International Accounting Standards
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IPO	Initial Public Offer
LGD	Loss Given Default
LTECL	Lifetime Expected Credit Losses
MD	Managing Director
NSSF	National Social Security Fund
NWSC	National Water and Sewerage Cooperation
POCI	Purchase or Originated Credit Impairment
RTGS	Real Time Gross Settlement
SCD	Securities Central Depository
SME	Small and Medium Enterprises
SMS	Short Message Service
SPGRS	Standardized Public Grievances Redressal System
SPPI	Solely Payments of Principal and Interest
URA	Uganda Revenue Authority
USD	US Dollar
USE	Uganda Securities Exchange
UShs/UGX	Uganda Shillings
VAR	Value at Risk

ABOUT THIS REPORT

This is Bank of Baroda (Uganda) Limited's Annual Report that covers the period January 1st, 2021 to December 31st ,2021. The report includes both financial and non-financial information. It has been presented with detailed information about who we are, where we are headed, articulating how the Bank has effectively and efficiently managed to augment shareholder value and shared prosperity.

Bank of Baroda (Uganda) Limited is a subsidiary of Bank of Baroda India which started its operations in India in 1908 and are now serving over 131 million customers across 19 countries. The Bank has been serving the people of Uganda since 1953 through its network of 17 branches and 21 ATMs across the country.

Bank of Baroda (Uganda) Limited

OUR MISSION

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

OUR BELIEF

Committed to be the Bank of First choice

OUR MOTTO

Leveraging Technology
For Superior Experience

SMALL STEPS TO A BETTER FUTURE.

GLOBAL MD & CEO'S MESSAGE

The Bank has been careful and pro-active in fortifying its revenue generation channels by building a diversified business model which positions the Bank to withstand the shocks associated with adverse changes in economic conditions. This makes our Bank unique among its competitors and creates a sustainable long term value proposition for the stakeholders.

SANJIV CHADHA

Dear Shareholders,

I welcome you all with great pleasure to the 52nd Annual General Meeting of the shareholders of Bank of Baroda (Uganda) Limited, one of the well established and accepted banks in Uganda.

Bank of Baroda (Uganda) Limited is into its **69th** year of operation in Uganda and I am glad to share that this has been a memorable journey of growth and consistency for the Bank along with all the stakeholders. During the year 2021, your Bank has strengthened its foothold with robust customer base and excellent industry position. As a prominent Financial Player and one of the **Top Five** in Uganda, the Bank has always embraced and proactively utilized market opportunities to create niche position for itself. Your bank has been a pioneer in assessing and mitigating the risks embedded in the volatile economic scenario to ensure quality service to all the customers.

The Bank has been careful and pro-active in fortifying its revenue generation channels by building a diversified business model which positions us to withstand the shocks associated with adverse changes in economic conditions. This makes us unique among our competitors creates a sustainable long term value proposition for the stakeholders.

Economy & Banking Sector

The year 2021 began with uncertainty as many families and businesses were recovering from the unimaginable effects of the COVID-19 pandemic which included loss of lives and livelihoods across the country and the world at large. The Global banking industry was severely impacted by a large number of non-performing loans and other stressed assets. These challenges led to low and slow growth of the asset book coupled with diminishing interest income. The Central Bank then thought it fit to issue guidelines to support financial institutions and customers, to ensure that the financial sector remains resilient. Eventually the conditions improved in the second half of the year and the restrictions imposed due to the pandemic were relaxed. Now the market is in the process of stabilizing on account of prudent policies adopted by the Central Bank of the country and Government of Republic of Uganda to tame inflation and achieve sustainable growth. This resulted in Ugandan economy witnessing GDP growth of 3.7% as compared to 2.9% in the previous year. The country is growing with FDI inflows, which is expected to grow further and the country is expected to see a rebound in the Investments in all sectors more particularly in Agriculture and Manufacturing. These investments have resulted in stronger local currency (Uganda Shillings) and reduction in Rate of Interest for attractive credits.

The net increase in loan and advances registered a growth of

13.02%

Net profit on Y-O-Y basis increased by

8.23%

Bank's non-performing assets were brought down by

94.56%

Total business of the Bank increased by

5.20%

WE OPENED A 17TH BRANCH IN ARUA

Performance of the Bank

The Bank has shown a strong performance overcoming the challenges of the COVID-19 pandemic and displayed a strong Balance Sheet for the year 2021 that excelled in all financial parameters. The total business of the Bank increased by **5.20%** and the net increase in Loans and Advances registered a growth of **13.02%** while net profit increased by **8.23%** on Y-o-Y basis. The Bank's non-performing assets were brought down by **94.56%** to be at **0.07%** of total advances at the end of year 2021. These critical figures are evidence of a resolute customer loyalty and are also indicators of healthy prospect of banking services in Uganda. The Bank also opened it's 17th Branch in the border town of Arua, which has given us presence in the Northwestern part of Uganda. The judicious business acumen of the management and commitment of our employees have been crucial for this strong performance.

Achievements

Your Bank's good work has been acknowledged locally and internationally by way of prestigious awards being conferred on the Bank. I am happy to share that in the year 2021 the Bank has been bestowed with **People's Choice Quality Awards 2021** for being **"Best Consistent and Competent Bank"** in Uganda for the second consecutive term and **Quality Excellence Awards** for the **"Best Customer Service in East Africa"** (Platinum Winner) in Finance and Banking Category under the **East Africa Brand Quality Awards 2021**. The Bank was also conferred with **"Super Brands of East Africa" for 7th consecutive term.** Apart from these awards many more accolades were received by the Bank. Along with appreciation from statutory bodies, these are recognitions of the Bank's overall contribution and commitment to all round qualitative business management. The Bank is well aware of corporate social responsibility and has also contributed towards helping the under privileged segment of the society by improving the sanitation facilities and digital education in schools.

Way Forward

Year 2021 gave Bank of Baroda (Uganda) Limited an opportunity to explore and provide services which add value and delightful experience to customers and other stakeholders, even during challenging times. This has been done through our special customer retention initiatives through leveraging technology and digital banking.

For the Year 2022, the Bank has embarked on improving and developing more convenient, efficient and faster alternative digital channels through which our customers can transact with ease and convenience. The Bank is further strengthening its Agent Banking Channel to enhance the reach and is also planning to introduce Tab Banking for customer convenience.

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

Acknowledgement

I take this opportunity to offer my sincere thanks and gratitude to the Government of the Republic of Uganda and Bank of Uganda, the Central Bank for their valuable guidance and continued support in strengthening the operations of the Bank and providing necessary guidance. I express my deepest gratitude to all our esteemed shareholders and customers for their continuous support and patronage. I acknowledge the contribution of the Board, Management and all the staff members of Bank of Baroda (Uganda) Limited. I am confident that with their commitment and dedication the Bank will be able to post even better results in 2022.

...Banking with Passion

PEOPLE'S CHOICE QUALITY AWARDS 2021

Best Consistent & Competent Bank in Uganda for 2nd consecutive term

QUALITY EXCELLENCE AWARDS 2021

Best Customer Service in East Africa (Platinum Winner)

SUPER BRANDS OF EAST AFRICA

This is for 7th consecutive term

CHILDREN MUST BE TAUGHT HOW TO THINK, NOT WHAT TO THINK.

CHAIRPERSON'S STATEMENT

Despite many challenges, our Bank has maintained its successful track record of balancing the interests of its stakeholders, including shareholders, customers, employees and the communities in which we live and serve. .

VASTINA RUKIMIRANA NSANZE

It is my honour and pleasure to share with you the Annual Report of the Bank of Baroda (Uganda) Limited (hereinafter referred to as "the Bank") for the financial year ended December, 2021.

Overview

Year 2021 started on a promising note as the global economy was recovering from the COVID-19 pandemic which had left many nations, families and economies in great losses. Uganda encountered a second lockdown in June 2021 and the Bank came out strongly to support customers whose businesses were affected by the pandemic to ensure that they remain resilient. The Bank also continued to support its staff through various initiatives to protect and stop the spread of the corona virus.

Despite these challenges, the Bank presented a strong Balance Sheet which showcased performance and persistence. The Bank had maintained its successful track record of balancing the interests of its stakeholders, including shareholders, customers, employees and the communities in which we live and serve. This has resulted in the accolades and awards bestowed to the Bank throughout the year and the immense support which the Bank has received from its customers for its uninterrupted services.

I wish to extend appreciation to our Regulator, the Bank of Uganda, for putting up COVID-19 Credit Relief Measures which effectively cushioned borrowers against default rate and supported financial institutions to absorb the pandemic shocks.

The Uganda Economy

The economy in the first half of 2021 experienced a slow down as a result of the lockdown, restrictions and sanctions due to the outbreak of the Covid-19 pandemic. The relief in restriction was short-lived and the pandemic re-emerged during the later period of the first half. But during the second half of the year, the Uganda economy started showing positivity and encouragement. This has resulted in giving impetus to the economy to register impressive recovery. Although the predicted economic growth fell short of the predicted economic growth targets of 6.2% at the beginning of the FY2021/22, the economy achieved 3.7% growth. The economy sustained this

Customer Deposits grew by
1.22%

Total Business grew by
5.20%

Loans & Advances grew by
13.02%

Total Loan & Advances
953.59 Billion

Manufacturing Sector Constituted
41.47%

Agriculture Sector
29.36%

performance due to the visionary decisions taken by the Ministry of Finance and protective measures carried out by the Regulator, the Bank of Uganda.

I am happy to state that the Bank achieved a year on year (Y-O-Y) basis growth of **5.20%** in Total Business, **1.22%** in total Deposits and **13.02%** in net Loans and Advances. Out of the Total Advances of **953.59 Billion** Uganda Shillings as at December 2021, the manufacturing sector constituted of **41.47%** and the agriculture sector constituted of **29.36%**.

> The Bank will continue to support the people of Uganda through financing priority areas of commercial agriculture, industries, services and ICT, leading to further expansion and growth of the economy.

Technology and Innovation

The Bank has upgraded its digital banking channels and internal operating systems to ensure fast and convenient banking to the customers. During the year 2021, the Bank also launched its interactive Artificial Intelligence Platform named **"ADI"** on its website. The Bank also upgraded its website to a higher definition platform, thereby giving a better look, feel and user interface. With these digital initiatives, the Bank is pushing its idea of enhancing the availability of its products and services to all parts of the country with a view to reducing dependency on physical branches.

Corporate Governance

The Bank is committed to good corporate governance and extant compliance with all applicable laws and regulations. This is evidenced by some of the awards which were bestowed to the Bank, for example the **People's Choice Quality Award 2021** for the 2nd consecutive term for being the **"Best Consistent and Competent Bank"** in Uganda and **"Best Customer Service in East Africa"** (Platinum Winner) in Finance and Banking Category under the **East Africa Brand Quality Awards 2021**. The Bank's robust risk and compliance policies coupled with experienced business acumen are all a result of the Bank's spiffing strategy and focused leadership.

Community Investment

The Bank's commitment to the community as a corporate citizen continued to be a priority during 2021. The Bank extended its hands to the development of the society through its corporate social investment activities, for example by providing scholastic materials to schools, supporting education of needy children and supporting children and widows suffering from HIV AIDS. The Bank also responded to the call of the Ministry of Education by contributing UGX 125 Million towards recovery initiatives from the COVID-19 Pandemic. The Bank rededicates its commitment to all its customers to render the highest standard of services and also to enhancing the stakeholders' value in the coming years.

I take this opportunity to thank the Board of Directors, the Management Team and all the staff of the Bank for putting up a spirited performance in 2021 in order to deliver our commitment to "augment shareholders value". I express my deep gratitude to the Government of the Republic of Uganda and to all the officials of the Bank of Uganda for their guidance and support in strengthening the operations of the Bank.

...***Banking with Passion***

Celebration of 69th Foundation Day of Bank of Baroda (Uganda) Limited on December 18, 2021.

SUSTAINABLE DEVELOPMENT IS THE PATHWAY TO THE FUTURE WE WANT FOR ALL

MANAGING DIRECTOR'S STATEMENT

The Bank's management take this opportunity to thank the health workers for their hard work and sacrifice since the outbreak of the covid-19 pandemic and the bank's staff who worked as a team to ensure that customers are comfortable and adapting the new normal.

RAJ KUMAR MEENA

Dear Shareholders,

It is my pleasure to present to you the performance of the Bank for the financial year ended December 31st, 2021.

In the financial year of 2021, the performance of the Bank was an exemplification of an impeccable vision of the leadership and its meticulous execution by the whole Team of the Bank of Baroda (Uganda) Limited. The Bank has always been a reliable banking partner which remained resilient and customer focused during the time when the world was experiencing a high level of disruption and business risk because of covid-19 pandemic.

During the phase of the pandemic, your bank enhanced pace of embarking its continuous process of improving the digital banking channels and extending its hand to ensure availability of banking services to the remotest part of the country by strengthening its Agency Banking Channel and by making its digital interface more user friendly. The Bank continued to provide relief measures to customers through restructuring of loans and extending them a moratorium period whose businesses were adversely affected by the pandemic.

The Bank's management take this opportunity to thank the health workers for their hard work and sacrifice since the outbreak of the covid-19 pandemic and the bank's staff who worked as a team to ensure that customers are comfortable and adapting the new normal.

Your bank was also bestowed with prestigious **People's Choice Quality Award** for being the **Best Consistent and Competent Bank** in Uganda for 2nd consecutive term. The Bank was also conferred with **East Africa Brand Quality Award** for year 2021/22. The Bank has also received the **East Africa Superbrand Awards** for 7th Consecutive year for providing uninterrupted services to the customers for more than 68 years.

Financial Performance

Overall, year 2021 was a tremendous year for the Bank in terms of performance as it witnessed growth in almost all major parameters. The Bank's profit after tax grew by 8.23% from Uganda Shillings 83.37 billion in 2020 to Uganda Shillings 90.23 billion in 2021. The Bank witnesses a 3.61% growth in total assets of Uganda Shillings 2,188.64 billion as on 31.12.2021 from Uganda Shillings 2,112.39 billion as on 31.12.2020. The Bank's stock performance has also been satisfactory with the price being very stable all-round the year as compared to other peers in the industry. Let me share with you the key financial highlights of your bank for the financial year ended 31st December 2021:

Bank's profit after tax grew by **8.23%**

UGX 83.37BN	UGX 90.23BN
2020	2021

Total capital adequacy ratio increased from 34.74% to 39.64%

34.74%	39.64%
2020	2021

- Total deposits increased by Uganda Shillings 19.25 billion, showing a growth of 1.22% over the previous year, an increase from Uganda Shillings 1,572.97 billion as on December 2020 to UGX 1,592.22 billion as on December 2021.
- Advances net of impairment increased by Uganda Shillings 108.56 billion showing a growth of 13.02% in 2021 to Uganda Shillings 942.10 billion from Uganda Shillings 833.54 billion in 2020. This was as a result of strategic lending in sectors showing huge growth potentials and had ability to contribute substantially to the Ugandan economy.

Major credit growth came from the exposure to manufacturing and agriculture sectors. The growth of these need based sectors were coupled with restructuring of advances in other sectors who were adversely affected by the pandemic like tourism, education, hospitability and real estate.

- Total business i.e. Deposit plus Gross Advances increased by Uganda Shillings 125.91 billion showing a growth of 5.20% over the previous year. In absolute terms the total business grew from Uganda Shillings 2,419.90 billion to Uganda Shillings 2,545.81 billion.
- Total income of the Bank increased by 5.74% to Uganda Shillings 219.21 billion in 2021 from Uganda Shillings 207.31 billion in 2020.
- The Bank has also witnessed decrease in gross non-performing assets as a percentage to total Advances which stood at 0.07% as on December 2021 compared to 4.16% as of December 2020.
- Return on Assets was at 4.17% as at 31.12.2021.
- Return on Shareholders' Equity was at 18.01% as at 31.12.2021.
- Capital Adequacy Ratio (Tier 1) increased from 33.38% in 2020 to 38.29% in 2021.
- Total Capital Adequacy Ratio (Tier 1 + 2) increased from 34.74% in 2020 to 39.64% in 2021.This is also reflection of bank's strong capital position which remained strategically above the regulatory requirement of 12.5% for tier 1 and 14.5% for total capital. These figures are testimony of customer confidence in your bank. The Bank's clear focus on the strategies and dedication of bank's staff were critical to delivering strong performances in these segments.

Decrease in gross non-performing assets as a percentage to total advances which stood at **0.07%** as on December 2021 compared to **4.16%** As of December 2020.

Opening of New Branch

I am pleased to inform you that during the year 2021, the Bank opened it's 17th Branch in the border town of Arua, which has given the Bank a presence in the north western part of Uganda. The Arua Branch commenced its operations from November 1st, 2021.

Post COVID -19 & Our Commitment

Bank of Baroda adores its customers and is aware that this partnership is the foundation and strength of its 69th year of existence in this beautiful country. This robust foundation coupled with the loyalty of the Bank's customers is continuously driving the Bank to develop competitive products for customers and to further develop its digital delivery platforms.

As a bank we are empathetic towards the environment and the community in which we serve. Accordingly we have contributed UGX 125 million to Ministry of Education in order to support schools to recover from the effects of the pandemic. The Bank has provided food and house hold essentials to two orphanages. We have also also contributed through the Private Sector Foundation Uganda (PSFU) and Uganda Bankers Association towards COVID-19. We shall continue to support the causes using bank's Corporate Social Responsibility allocations.

The Bank has also taken various initiatives against the spread of covid-19 by providing protective gears to all staff members and also provided proper transport to staff members.

Digital Innovation

The pandemic gave us a platform to think, improve and push the Bank's digital channels to the customers. The digital channels provide a safe, convenient and efficient way for our clients to transact without visiting the physical branches. In addition to that, bank's mobile and internet banking platforms were revamped with the latest technology to enable customers to enjoy the best banking experience. Bank upgraded its website to a more user friendly high definition look with easy navigations. We also created an online artificial intelligence enabled customer feedback and query channel **ADI** on its website.

In order to ensure fast turnaround time, the Bank adopted the most recent technology in order to improve operational processes, increased efficiency and create competitive advantage. This was ensured by mitigating risk, ensuring compliance and diligent setting of management processes.

Conclusion

In retrospect, year 2021 came with its own challenges and opportunities. The careful stabilization and understanding of the macro environment was the key to success. I am proud to say that your bank had the business acumen and prudence to pick the opportunities during the uncertain and difficult times. In the Bank's journey of more than 68 years, its reputation has continued to grow stronger. Resilience and belief in the core values of the Bank has kept us sailing, even during the tough times. With the unflinching support of the bank's customers and strong pliability shown by the team Baroda, the Bank has set to continue the shine and grow stronger and better in the coming times.

I will once again thank the Board of Directors, the management team and all the staff for their tireless efforts in serving our esteemed customers and creating shareholders value through care, concern and competence. I take this opportunity to thank the Government of the Republic of Uganda, our Central Bank i.e. Bank of Uganda and all the other stakeholders for their valuable guidance and continued support. I thank you all for making this country a wonderful place to live and trade.

...***Banking with Passion***


Bank of Baroda (Uganda) Limited
Banking with passion
Introducing ADI, Your Online Banking Partner
Don't be stranded anymore, chat with ADI, the Baroda Chatbot anytime anywhere instantly.
Visit our website and ask ADI about our banking solutions.
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KEY PERFORMANCE INDICATORS

Profitability Ratios

	2020	2021
Return on Equity	19.00%	18.01%
Earnings per share	34.97%	36.09%
Return on assets employed	4.18%	4.17%

Capital Adequacy Ratio

	2020	2021
Tier I ratio	33.38%	38.29%
Total Capital adequacy ratio (Tier I & II)	34.74%	39.64%

Efficiency Ratio

	2020	2021
Cost to income ratio	25.92%	33.18%
Credit loss ratio	1.45%	1.20%

Other Ratios

	2020	2021
Growth in revenue	3.74%	5.74%
Total deposit	9.99%	1.22%
Loan portfolio	4.25%	12.59%

2021

AWARDS & HONORS

★ ★ ★

Off-Site Performance Analysis Rating as at 31.12.2021 by Bank of Uganda maintained at **"Satisfactory"** without any supervisory concern.

Best Consistent and Competent Bank under People's Choice Quality Award for the second consecutive time (Year 2021 and 2022).

"Best Customer Service in East Africa" (Platinum Winner) in Finance and Banking Category under the East Africa Brand Quality Awards 2021.

Platinum Winner "Super Brands of East Africa Awards" for 7th consecutive term. for 2021/22

Africa Forbes Magazine covered Bank's vision under Africa undiscovered series April/May 2021 edition.

Certificate of Merit as the 1st Runner up under category of "Most Compliant Bank" by the Uganda Revenue Authority at Annual Bankers Conference held on 28th May 2021.

Certificate of Merit by Uganda Revenue Authority in recognition of valued partnership in collection of Government of Uganda Revenue at Annual Bankers Conference held on 28th May 2021.

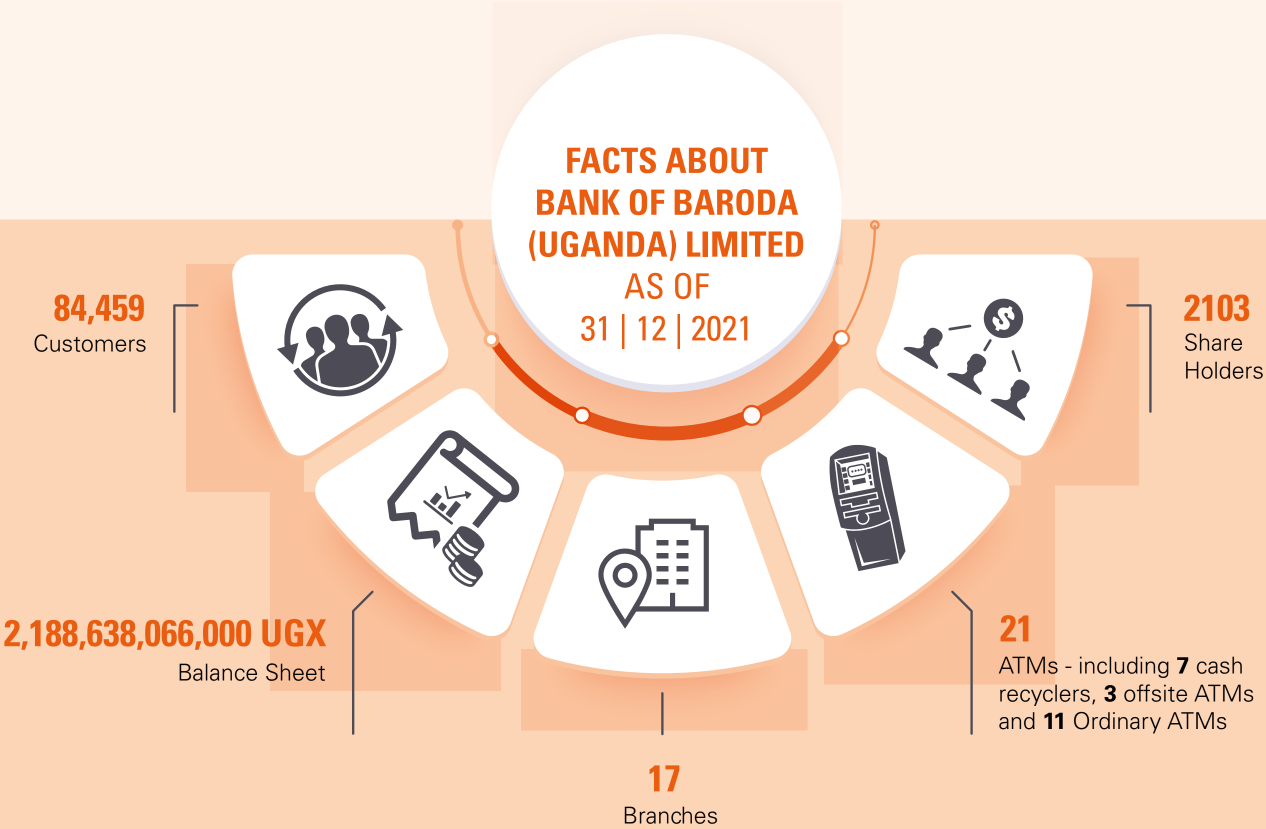
FINANCIAL CONTROLLER

SAIDAH NABAKKA

The Bank continued to register growth in different parameters during FY 2021 despite the fact that it was a challenging year dominated by the impact of Covid19 pandemic.

The average return on assets stood at **4.17% in 2021**, despite the tough business environment. The Bank managed to post a profit after tax of **UGX 90.23 Bn** from **UGX 83.37 Bn** in 2020 i.e. growth of 8.23%. This was primarily due to the Bank's strategic objectives, risk management processes and strong client relationships i.e. business growth strategy hence increasing the Bank's deposits and advances portfolio while optimising costs and ensuring a high quality portfolio.

The balance sheet size expanded to **UGX 2,188.64 Bn** from **UGX 2,112.39 Bn in 2020** representing a **3.61%** increase.



HEAD COMPLIANCE

SILVER SILVIN OBONG

The Compliance Department of the Bank

Compliance generally means conforming to a rule, such as a specification, policy, standard or law. Compliance has traditionally been handled by applying the deterrence theory, according to which punishing a behavior will decrease the violations both by the wrong doer (specific deterrence) and by others (general deterrence).

Bank of Baroda (Uganda) Limited has therefore established a compliance department guided by the Bank's compliance policy which is updated/reviewed every three years. The objective of the Compliance policy is to ensure strict observance of the various statutory, legislative, regulatory provisions contained in various legislations such as Financial Institution Act 2004 and the Regulations made there under, Income Tax Act Cap 340, Companies Act Cap 110, National Social Security Fund Act Cap 222, Capital Markets Authority Act Cap 84, Foreign Exchange Act etc. and the bank's own norms, practices and guidelines for internal control. It includes reporting deficiencies in compliance observed in various areas from time to time to the Top Management for necessary corrective action by examining the issues on which breaches/failures have been observed, finding out the underlying causes and properly addressing the issues. The breaches/failures in compliance are to be properly disclosed in the Annual Report. Materiality and substance will be the guiding principles in deciding which items are to be disclosed in the Annual report.

Compliance laws, rules and standards generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, treating customers fairly, and ensuring the suitability of customer advice. They typically include specific areas such as the prevention of money laundering and terrorist financing, and may extend to tax laws that are relevant to the structuring of banking products or customer advice.

Compliance laws, rules and standards have various sources, including primary legislation, rules and standards issued by legislators and supervisors, market conventions, codes of practice promoted by industry associations, and internal codes of conduct applicable to the staff members of the Bank.

The Bank strives always to ensure regulatory compliance i.e. complying with the relevant external laws, regulations and guidelines. It has also set in place actions and programs to ensure compliance with the internal policies, procedures and the accepted behavior as well as external regulations. The vision of the Bank is to achieve strategic compliance, where there is total transparency and having a competent and responsible management.

A culture of compliance starts with an organization that is true to its mission and core values, where the senior managers lead the way by example i.e. by expressing their commitment to the compliance policies and encourage open communication and honest feedback. Central to its value, compliance culture is a process that is guided and supported by many people to create an environment in which everyone can say and do the right thing

The bank circulates all its policies and procedures to the operating units and follows through to see to it that the policies are well understood by all the staff and complied with meticulously.

To ensure high levels of compliance in the Bank, trainings are organised for all level of management: the Board of directors, Management level and all the staff as assessed from the training needs analysis of all the levels.

IN-CHARGE AUDIT

MBAZIIRA FRANCIS

Internal Auditor's statement to shareholders

To grapple with the challenges and risks that arise from the dynamic business environment coupled with the increased technological advancements in the banking industry, Internal Audit has in the past few years adopted a more dynamic approach that is risk based in nature. This has helped us to commit more resources and time to the most risky and critical areas of the Bank thereby increasing our ability to add value to the Bank operations as well as timely identify the risks and suggest corrective actions for consideration by management through provision of foresight to the Bank by identifying trends and bringing attention to emerging challenges before they become crises.

Internal Audit has continuously provided assurance by assessing and reporting on the effectiveness of governance, risk management and control processes thereby helping the Bank achieve strategic, operational, and financial and compliance objectives. Based on the findings, internal audit recommends changes to improve processes and follow up on their implementation based on management commitments. We provide insight by acting as a catalyst for management and the Board to have a deeper understanding of governance processes and structures which provokes positive changes and innovations within the Bank hence inspiring confidence and informed decision making

Whereas, the principle responsibility of managing the risks rests with management, Internal Audit has continued to add value to the Bank by providing advisory and consulting services intended to improve governance, risk management and control processes but not assuming management responsibility. By working more closely with other lines of defense and assurance providers (Risk and Compliance) functions of the Bank, we have been able to identify where we can best align to effectively address the key risks of the Bank.

The Internal Audit Department of the Bank ensures effective communication of the audit results which helps foster a constructive relationship between management and internal audit, which increases the rate of resolution of the adverse observations and recommendations thereof. For management, reports serve as a window into daily operations, a means to evaluate operating performance.

> *"Internal Audit has continuously provided assurance by assessing and reporting on the effectiveness of governance, risk management and control processes thereby helping the Bank achieve strategic, operational, financial and compliance objectives."*

IN-CHARGE INFORMATION TECHNOLOGY

SUBHAPRATIK PRADHAN

Bank of Baroda (Uganda) Limited has been serving Ugandans uninterruptedly for more than 6 decades. The Bank is one of the foremost leading international banks in the country presently operating through its 17 branches and 21 ATMs.

The Bank operates on a Robust Core Banking Technology platform called "Finacle" since 2008 & upgraded to Finacle version10 on 9th March 2021.

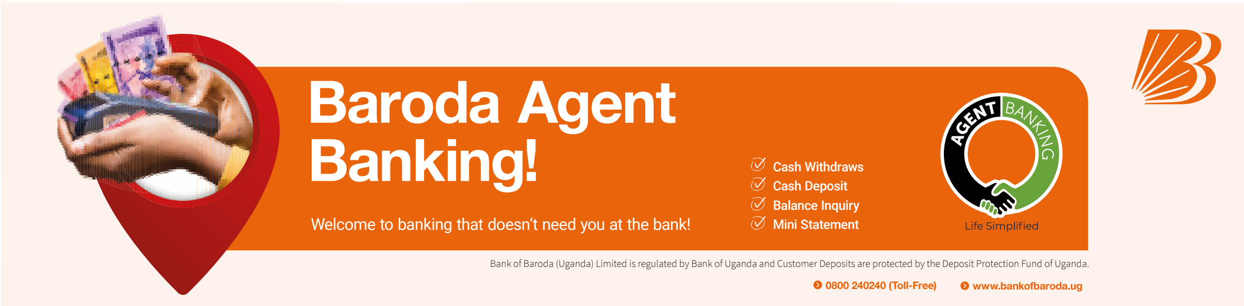
Alternate Delivery Channels like Internet Banking called "Baroda Connect" and Mobile application called "M-Connect + UG" provided for customer convenience and facilitate low cost of operation. Bank of Baroda is also providing Agent Banking services through Agent Banking Company Limited, connecting more than 12,000 agent outlets across Uganda.

The Bank provides an array of digital products ranging from VISA Debit card facilities, Agent Banking, ATM facilities, Cash Recycler, Customer grievances redresses system and Chatbot facility on its website. Eight ATMs out of the 21 are cash recyclers, which facilitates both cash deposit and cash withdrawal services with or without Debit cards. Rapid Funds to India from Alternate Delivery Channels like Internet Banking, Mobile application and ATM/Cash Recycler facilitates remittance at customers convenience.

Vision Statement: Information Technology Services will be recognized as a high performance team providing technology excellence that advances and aligned with Banks mission and goals.

ICT Mission Statement: To develop and deliver technology services that advance the business processes, and strategic goals of Bank. Information Technology Services provides secure, reliable and integrated technology solutions in alignment with goals of Bank, while delivering excellence in customer service.

The core focus will remain on expanding our retail base coupled with careful geographical expansion through ADCs, introduction of new products/modification in existing products according to changing preference and requirement of our customers. Technological innovation shall be used to enhance customers' convenience and satisfaction



OUR ALTERNATIVE DELIVERY CHANNELS

ATM	Internet Banking	Mobile Banking	VISA Debit Card	Cash Recyclers	Agent Banking
Financial	Financial	Financial	Financial	Financial	Financial
Cash Withdrawal	Self/Linked account transfer	Self/Linked account transfer	Online Purchases	Cash Withdrawal	Cash Withdrawal
Cash Envelope Deposit	Third Party Transfer within BOB	Third Party Transfer within BOB	Point of Sale purchase	Card less Withdrawal	Cash Deposit
Rapid Funds to India	Other Bank transfer	FD Account opening	ATM w/d on VISA Network	Cash deposit	
Cash Withdrawal and Balance inquire for other bank VISA card	Rapid Funds to India			Card less Deposit	
Card less Withdrawal				Rapid Funds to India	
				Cash Withdrawal and Balance inquire for other bank VISA card	

Non-Financial	Non-Financial	Non-Financial	Non-Financial	Non-Financial	Non-Financial
Balance Enquiry	Operative A/c Summary	Account Balance		Balance Enquiry	Balance Inquiry
Mini Statement	Mini Statement	Mini statement		Mini Statement	Mini Statement
Change PIN	Account Detail	Account statement		Change PIN	
	A/c Query/ Statement	Cheque book request			
	Transfer Status Inquiry	Reset application Password			
	Pending Transfer	Change PIN			
	Unapproved Transfer	Transaction history			
	Transfer Approvals	Complaints & Feedback			
		Branch / ATM locator			

SUSTAINABLE AGRICULTURAL DEVELOPMENT IS THE PATHWAY TO THE FUTURE WE WANT FOR ALL

HEAD CREDIT

SANTOSH KUMAR SINGH

Performance for the Bank in Credit during FY 2021:

During the FY 2021, the Bank has recorded a strong growth of 13.0% in advances over the previous financial year 2020. The Bank has achieved advances target set for the financial year ended December 31st, 2021.

- The Agriculture Sector grew by UGX 135.67 Bn i.e. to UGX 280.03 Bn during the FY 2021 and contributed to 29.36% of loan portfolio.
- The Bank has extended regulatory Credit Relief Measures to 177 eligible accounts affected by COVID-19 and restructured loans and advances amounting to UGX 161.12 Bn.

Opportunities & Challenges:

During FY 2020 & FY 2021, COVID -19 pandemic impacted all aspects of society in the world including Uganda. To prevent the spread of Coronavirus, Government of Uganda took various initiatives by imposing lockdowns, transport restrictions, maintaining COVID-19 protocols by way of wearing of masks, following social distancing, sanitization, Quarantine, vaccination etc. The country witnessed tough times and saw closure of schools, supply chain disruptions for manufacturers in Uganda, delay in supply of raw material/finished goods, raw material shortages, increased costs and reduced orders, business closure leading to job losses by many individuals resulting in reduced repayment capacity.

With the easing of the COVID-19 restrictions and lifting of lockdown in the country by the Government of Uganda, the business supply chain is now improving and key economic indicators signal recovery in the economic activities. However, the war between Ukraine and Russia imposed economic sanctions that are affecting Uganda through commodity prices and fuel prices which were already on the rise due to COVID-19 pandemic after effects. These ongoing sanctions may further impact Uganda's pace of economic growth because of trade disturbance due to supply chain disruption, higher commodity prices and risk aversion that may lead to slow investments. Costlier inputs (e.g. fertilizers and transport) will also poise challenges for agricultural production, food security and household incomes that are still under recovery phase after COVID-19.

Agriculture accounts for a large share of Uganda's export earnings and its gross domestic product, as well as providing the main source of income of the vast majority of the adult population. We are focusing on supporting manufacturing industries engaged in Dairy products, Agro processing etc by providing seamless financing.

Way Forward:

1. Focus on improvement in credit delivery and customer services to enable the Bank to achieve robust and sustainable growth in advances during current FY 2022.
2. Focus on financing manufacturing industries engaged in Dairy products, Agro processing etc. supporting Buy Uganda Build Uganda policy.
3. Enhanced focus on financing Small and Medium Enterprises and Asset Financing.
4. Targeting retail customers who want to purchase, construct houses/flats by providing support through Housing Loan on competitive pricing

RISK OFFICER

AMUCU MAY GLADYS

Highlights for FY 2021

In FY 2021, the Bank was able to maintain high standards of risk management in all risk areas. Due to the monitoring activities of the Bank in all the risk exposures of the Bank, the Bank has been able to maintain steady operations.

Bank's Risk Management Function aims at ensuring that the Bank is managing risk efficiently and effectively by implementing an effective risk management framework that is embedded in the Bank's processes and culture.

The Bank recognises that risk management is the responsibility of everyone within the Bank therefore is integrated into all the business and decision making process including all the strategy formulation, capital allocation, internal control, branch operations etc.

The risk management framework is designed to manage the Bank's risk-taking in the context of its mission and strategy, taking into account its risk bearing capacity, risk appetite, and minimum quantitative requirements for capital, leverage and liquidity.

The Bank has an independent Risk Management Department that is responsible for the implementation of governance and ensuring healthy risk taking atmosphere. It is also responsible for establishing the related policies, manuals, guidelines and also for executing risk management practices at Bank-wide level. The Risk management Practices are based on the regulatory laws of the Country and Group Practices adopted from the Parent bank.

The Bank's Board of Directors has the primary responsibility of understanding the risks run by the bank and ensuring that the risks are appropriately managed. The Board of Directors has ultimate responsibility for the level of risk taken by the Bank. Accordingly, it approves policies related to taking and managing risks.

The Bank has 4 Sub committees whose principle objective is mitigation of risk by creation and maintenance of explicit risk management process. The Board has approved policies for management of various risks, namely, Credit Risk, Market Risk, Strategic, and Operational Risk as well as a policy for Information and Technology Security.

The Risk Management Committees are at Senior Management level: Operational Risk Management Committee (ORMC), Market Risk Management Committee (MRMC), Strategic Risk Management Committee (SRMC) and Credit Risk Management Committee (CRMC).

The business units manage risks on a day to day basis with guidance from the Bank's approved Policies and Manuals.

> *"The Bank has an independent Risk Management Department that is responsible for the implementation of governance and ensuring healthy risk taking atmosphere."*

IN-CHARGE RECOVERY AND MONITORING CELL

JITENDRA DARJI

The Recovery and Monitoring Cell was established during FY 2021 with an aim to provide effective monitoring of overall advance portfolio by way of improving financial discipline in borrower accounts. The Cell also focuses on recovery in NPA/Written Off Accounts.

During the first year of operation of Recovery and Monitoring Cell, the Bank has registered remarkable performance by way of restricting its Non-Performing Loans at **UGX 638 Mn** as on December 31st, 2021. The Non-Performing Loans of the Bank has substantially reduced from **UGX 11,725 Mn** as on December 31st, 2020 to UGX 638 Mn as on 31st December, 2021.

On the recovery front in Written Off Accounts, The Bank has recovered UGX 8,326 Mn against the target of UGX 7,000 Mn during FY 2021.

Board Members with Company Secretary and External Auditor during 51st Annual general meeting of the Bank

IN-CHARGE OPERATIONS

SUNIL CHOUDHARY

The Branch operations provide the much needed foundation to the overall banking structure and plays a pivotal role in maintaining and rendering prompt customer service. Branch operation facilitates staff members to work under the purview of the guidelines as prescribed by the regulators. As an in-charge operations, I have been regularly sending various communications to all branches and staff members from time to time to make the operational functionalities more robust and purposeful. In our continuous endeavor to cultivate and further nurture the Branches to exhibit operational excellence, we strive to provide more transparency and viability. An effective Operation System ensure time bound execution of designated work and also drafts framework for productive utilization of deployed resources.

The year 2021 was a challenging year for the Bank as the 2nd wave of COVID 19 impacted the Country. Taking cognizance of the same, the operations department ensured timely changes of working hours and strict compliance of Government Guidelines. The department also ensured that the impacted staff members are timely tested for the fatal disease and all precautionary measures are in place during the regular Banking Hours.

During the year, we have successfully coordinated and opened the 17th branch of the subsidiary at Arua Town which started business operations w.e.f. November 1st, 2021. During the year, we have also successfully coordinated & shifted our Mukono Branch to new premises.

The Inauguration Ceremony of Arua Branch on 20th October 2021

IN-CHARGE TREASURY

VIKASH SHARMA

Treasury is an integral and important part of the Bank, which takes care of Liquidity & Funds Management, Foreign Exchange Management, Reserve Management, Asset & Liability Management and dealing in Money Market and Debt Market (Government Securities) to generate income through arbitrage opportunities and yield enhancement. Our Bank is one of the eight primary dealers licensed by Bank of Uganda, since October 2020 and we have been working efficiently in the direction of market making and development of secondary market in government securities as per BOU directives.

We are working in a positive direction of effective utilization and management of funds, and exploited every arbitrage opportunity available to make a healthy trading profit in FY 2020-2021. The Total income from government securities were at an all-time high of UGX 81,448 Million generated in FY 2020-2021. We try to keep the right portfolio mix and we sell/ buy the securities as per market trends to make the optimum profit and balance of the portfolio with an optimum yield enhancement. In the FY 2020-2021, we maintained a healthy liquidity and has been rated 1 (Strong) in this area as per the Offsite Financial Performance Analysis Report for all the quarters of FY 2020-2021.

Future Planning and strategy:

- To increase our total income and investments in government securities by 10% in FY 2022.
- To connect more retail clients to open CSD accounts for more inclusiveness, participation and development of secondary market in government securities.
- To increase turnover in foreign exchange and government bond transactions to considerably improve our profitability for the FY 2022.
- Excellent customer service through integrated systems and platforms to enhance client satisfaction.

Economic Overview:

- Economic recovery is in the right track post Covid-19 downturn and after full reopening of the economy barring few exceptions like Russia-Ukraine war.
- Uganda Shilling to remain in the band of 3600-3750 till the end of this year 2022.
- Inflation target to be in the band of 4-6% in medium term mainly due to supply chain disruptions, high Oil & gas and Commodity prices due to sanctions on Russia and tightening of monetary policies by advanced economies.
- Economic growth to remain in the broad range of 5.00-6.00% in 2022 due to the adverse effect of global factors.
- Central Bank rate to be in the range of 7.00-7.50% towards the end of FY 2022 looking at the present trend in other advanced and developing economies.
- Liquidity in the Market is fairly good and in case of exigency BOU may provide various facilities like Reverse Repos, Covid-19 Liquidity Assistance Program (CLAP) and Emergency Liquidity Assistance (ELA) facilities.

IN-CHARGE MARKETING

MOHAN PRASHANTAM

Visibility & optimization has been the driving force of the marketing department of Bank of Baroda (Uganda) Limited. The Bank's Marketing Team has perennially focused on creating long term values for our esteemed customers and stake holders. Year 2021 was a spiffing year for the Team as the Bank won the prestigious East Africa Superbrands award for 7th Consecutive term. The Bank was also bestowed with East African Brand Quality Award. Further, we also made qualitative changes in it's above the line communication modes by personalizing the adverts. The Bank has also invested noteworthy sum in various empathetic CSR activities and other noble causes, which further strengthens our cause of wholesome development of the country.

In the year 2022, the exuberance of the Marketing department is determined to further propel the Brand Bank of Baroda (Uganda) Limited to the remotest part of the country and further enhance the Brand recognition. The Department sees the competitive environment as an opportunity to rise above the normal and is inclined to create more wisdom through the Team's Business acumen and technical knowhow.

On their 69th Foundation day, Bank of Baroda (Uganda) Limited gave back to the community by Organizing a blood donation camp at their branch in Kawempe on December 18th, 2021.

CSR ACTIVITIES

Managing Director, Mr. Raj Kumar Meena (Centre) and Executive Director Mr. Prithvi Singh Bhati present a cheque to Ms Annet Nakamya – Chairperson Uganda Badminton Association to support preparations for the All Africa Badminton games that were hosted in Uganda (Lugogo Indoor stadium) on 20th -28th Oct 2021.

Mr. Raj Kumar Meena, Managing Director, Bank of Baroda (Uganda) Limited, distributed food and household Basic necessities to U-care Orphanage in Luzira on the occasion of 69th Foundation day of Bank on 18.12.2021.

Bank of Baroda (Uganda) Limited partnered with Kabaddi Federation of Uganda to sponsor the Kabadi team for World Cup Qualifiers 2021.

Mr. Raj Kumar Meena, Managing Director, Bank of Baroda (Uganda) Limited, distributed various household essentials to Orphans and Widows of AIDs Uganda in Nsambya to commemorate 69th Foundation day of Bank on 18.12.2021.

MANAGER LEGAL

AHMED SENKUMBA

The legal department is a core function of the Bank at the head office. The main function of the legal department is to provide legal advice on various aspects of the Bank's functions and operations. The department advises on diverse legal, contractual and operational matters as well as issues related to the Bank's governance structure.

The legal department coordinates with other departments of the bank at the head office and also at the branch level to ensure compliance with the statutory obligations of the bank. Besides, the department participates in various committees within and outside the Bank. In all these committees, there is sharing and receiving of knowledge on a wide range of legal aspects. Within the Bank, the department is represented on the Executive Management Committee, estate management committee among others. Outside the bank, the department is represented on the Uganda Banker's Association legal committee, the in-house lawyers committee of the Uganda Law Society among others.

Furthermore, the department always liaises with the Bank's empanelled external Advocates majorly H & G Advocates (Formerly Kateera & Kagumire Advocates) in a wide range of legal matters including but not limited to handling the Bank's cases in various courts of law and tribunals, mortgage and debenture registration.

Further, external legal support is also provided by the Company Secretary of the Bank. Being cognizant of the fact that the law keeps on changing with new legislations and cases, the department engages in various trainings organized nationally and internationally to keep abreast with various developments in the legal circles. In turn, such developments in law are shared with other departments and branches through internal trainings.

Mr. Raj Kumar Meena, Managing Director, cutting cake with staff members on the occasions of 114th Foundation day of Parent Bank on July 20th, 2021.

IN-CHARGE HUMAN RESOURCE MANAGEMENT

MS. SHAMINAH NAMUKUVE KAKAIRE

The Human Resource Department of the Bank serves to enhance and augment the Bank's overall success as well as setting its pace. In the year 2021, the Bank managed to thrive despite the turbulent economic times as the HR department continued to monitor trends in the Human resource practices.

Employee acquisition and hiring: Our recruitment strategy targets to get a pool of top talent. Thus, in the year 2021, ten (10) new staff members joined the Bank in different cadres and departments, bringing the total staff count to two hundred twelve (212), i.e. one hundred eighty five (185) local staff and twenty seven (27) expatriates.

Adopting Information Technology: The Bank has adopted a new Human Resource Management system and we are progressively moving away completely from the reliance on excel sheets and manual systems which are highly prone to human error. This enables us to tighten internal controls in Human Resource Management.

Staff Training and Development: The Bank's Training and Development programme is standardized and largely based on Training Needs Analysis keeping in mind regulations and standards of relevant authorities. We have therefore continued to enrich knowledge and skills of the staff members through External and well-designed Internal training programmes. The Bank is also strongly embracing and enjoying the benefits of e-learning.

Physical and internal training programmes are conducted from our Staff Training Centre situated at Head Office. The trainings are conducted by internal faculty at Management level and external facilitators. Baroda Apex Academy- India has also greatly imparted knowledge to staff through online platforms.

In the year 2021, forty (40) Internal Trainings were attended by two hundred ten (210) participants and five hundred nineteen (519) participants benefitted from fifty two (52) External Trainings organized by various institutions like Uganda Bankers' Association, Uganda Institute of Banking and Financial Services, Grant Thornton, Financial Sector Deepening Uganda (FSDU), Uganda Police, North West Global Solution, Bank of Uganda, Financial Intelligence Authority and Institute of Corporate Governance Uganda among others.

Employee wellbeing: The Bank cares about the mental, physical, emotional as well as economic health of the staff so as to maintain a positive attitude and manage stress levels.

"In the year 2021, forty (40) Internal Trainings were attended by two hundred ten (210) participants and five hundred nineteen (519) participants benefitted from fifty two (52) External Trainings."

Bank of Baroda (Uganda) Limited embraces Gender and Diversity. Managing Director, Raj Kumar Meena felicitated female staff with a grand Dinner and cake cutting, in celebration of the International Women's Day.

KNOW YOUR BANK

Background

Bank of Bank of Baroda (Uganda) Limited started its operations on December 18th 1953 by opening its first branch at Kampala. Later, it was incorporated as subsidiary of Bank of Baroda-India with 49% shareholding of the Government of Uganda. Under privatization move of Government of Uganda, Parent Bank- Bank of Baroda (India) became the sole owner by taking over 49% shareholding of Government of Uganda on June 07th, 1999 and divested 20% shares to public in September 2002.

In June 2002, the Bank split its share of UGX 1,000 each into UGX 100 each before divestment of 20% shareholding to the public. The IPO of 20% shares having face value of UGX 100 were offered at UGX 600 during September 2002. Further, split of the Bank's share in a ratio of ten shares for every one share held has been affected on September 8th 2008. Consequently the nominal value of each ordinary share of UGX 100 has been converted into UGX 10 each.

Pursuant to the Financial Institutions (Revision in Minimum Capital Requirements) Instrument 2010, the Bank has enhanced its capital from UGX 4.00 Bn. to UGX 25.00 Bn. in two phases. The number of ordinary shares of UGX 10 each has also increased from 400,000,000 to 2,500,000,000. At present Bank of Baroda, India holds 80% shares of the Bank.

Issuance of Shares

Bank of Baroda (Uganda) Limited was the first Financial Institution in the country to list its shares at the Uganda Securities Exchange. The Bank issued bonus share to its shareholders at two occasions in 2011 and 2013.

I. In 2011, the Bank increased its capital from UGX 4.00 Bn. to UGX 10.00 Bn. by issuing bonus shares to its shareholders.

II. In 2013, the Bank again increased its capital from UGX 10.00 Bn. to UGX 25.00 Bn. by issuing bonus shares to its shareholders.

21. Risk management systems

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.

> *Bank of Baroda (Uganda) Limited was the first Financial Institution in the country to list its shares at the Uganda Securities Exchange.*

Mr. Raj Kumar Meena, the Managing Director receiving People's Choice Award 2021-2022 from the Third Deputy Prime Minister of Uganda, Rt. Hon. Rukia Isanga Nakadama

Mr. Raj Kumar Meena, Managing Director of Bank of Baroda (Uganda) Limited, receiving an award from Minister of State for Trade Hon. Harriet Ntabazi, at the East African Brand Quality awards event where Bank of Baroda Uganda Limited was bestowed Quality Excellence for Best Customer Service (Platinum Winner) in Finance and Banking Category.

BOARD MEMBERS

Mrs. Vastina Rukimirana Nsanze
Chairperson Board of Directors

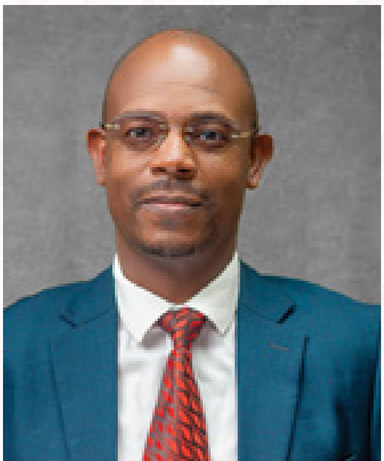
Mr. Raj Kumar Meena
Managing Director

Mr. Prithvi Singh Bhati
Executive Director

Mr. Sanjay Vinayak Mudaliar
Non-Executive Director

Dr. Fred Kakongoro Muhumuza
Non-Executive Director

Mr. Odoch Charles Langoya
Non-Executive Director



Mr. Sempijja Thadeus
Non-Executive Director

Mrs. Anne Tumwesigye Mbonye
Company Secretary

OUR PRODUCTS

22Products and services offered by the Bank

Corporate Banking

Deposits

1. Current Deposits
2. Festival Deposits
3. Fixed/Short term deposits

Loans

1. Traders Loan
2. Asset Financing
3. Business Loans
4. Loan Against Future Rent Receivables
5. Short term loan
6. Non-fund Based Services/Products

Personal Banking

Deposits

1. Savings Bank Account
2. Current-Account
3. Flexible Recurring Deposits
4. Fixed Deposits/Short-Term Deposits

Loans

1. Salary Loan
2. Multi-purpose Loan
3. Housing Loan
4. Loan Against Future Rent Receivables
5. Education Loan
6. Loans Against Bank's Deposits
7. IPO Loan

Services & Utility

- **Locker Facility**

Storing valuables i.e. jewelry, documents and other things in the house at times becomes a risk of loosing in theft/ dacoities etc. and an impediment in case of natural calamities.

- **Collection of various Taxes/Payments**

Electricity Bills

Employee Collection

Water Payment

URA Taxes

Funds Transfer

Rapid Funds 2 India

EFT/RTGS

Telegraphic Transfer

Foreign exchange services to buy and sell foreign currencies

Acceptance of School fees

OTHER INFORMATION

SHARE HOLDING PATTERN AS OF DECEMBER 31st, 2021

EQUITY INFORMATION			
Particulars	**Number of Shares**	**%**	**Amount in Ush**
Bank of Baroda India	1,999,998,750	80%	19,999,987,500
Managing Director	1,250		12,500
Public Holding	500,000,000	20%	5,000,000,000
Total	**2,500,000,000**	**100%**	**25,000,000,000**

TOP SHARE HOLDERS AS ON DECEMBER 31st, 2021

Sn	Shareholders' Name	No. of Shares held	% of total Shareholdings
1	BANK OF BARODA	1,999,998,750	80.00v
2	SUDHIR RUPARELIA	62,527,250	2.50
3	DFCU BANK LIMITED	62,500,000	2.50
4	NATIONAL SOCIAL SECURITY FUNDS	52,456,103	2.10
5	AUGUSTUS CEASOR MULENGA	45,563,706	1.82
6	MAHESHWARY PURUSHOTTAM MORJARIA	25,000,000	1.00
7	JOSEPH BYAMBARA BYAMUGISHA	15,625,000	0.63
8	PARLIAMENTARY PENSION SCHEME - BRITAM	13,895,738	0.56
9	BANK OF UGANDA DEFINED BENEFITS SCHEME - SANLAM	10,256,471	0.41
10	JOSEPH TUKURATIIRE	8,902,640	0.36

CONSOLIDATED FINANCIAL PERFORMANCE FOR THE LAST 5 YEARS

	2017	2018	2019	2020	2021
	USH MILLION	USH MILLION	USH MILLION	USH MILLION	USH MILLION
Capital	25,000	25,000	25,000	25,000	25,000
Reserves	305,465	349,731	369,896	427,878	529,690
Deposits	1,166,246	1,301,811	1,429,595	1,572,331	1,592,216
Advances (Gross)	639,114	764,105	812,417	846,928	953,592
Total Business*	1,805,360	2,065,916	2,242,012	2,419,259	2,545,808
Investments	500,406	508,317	538,151	710,998	714,186
Profit for the Year	49,406	73,483	45,362	83,317	90,049
Basic / Diluted Earnings Per Share (Ush)	19.76	32.80	20.25	34.95	36.02
Dividend Per Share (Ush)	7.50	10.00	10.00	10.00	10.00

* Total deposits + Total Loans & Advances

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CORPORATE INFORMATION

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	COMMERCIAL BANKING SERVICES	
DIRECTORS	Vastina Rukimirana Nsanze	Chairperson
	Raj Kumar Meena	Managing Director
	Prithvi Singh Bhali (from March 25, 2021)	Executive Director
	Sempijja Thadeus	Non-Executive Director
	Fred Kakongoro Muhumuza	Non-Executive Director
	Odoch Charles Langoya	Non-Executive Director
	Shanti Lal Jain (up to August 31, 2021)	Non-Executive Director
	Mudumba Krishnama Chary (up to July 31, 2021)	Non-Executive Director
CHIEF OFFICERS / EXECUTIVES	Raj Kumar Meena	Managing Director
	Prithvi Singh Bhati (from March 25, 2021)	Executive Director
	Nabakka Saidah	Financial Controller
	Subhapratik Pradhan	In-charge, Information Technology
	Obong Silver	Head Compliance
	Vikash Sharma	In-charge, Treasury
	Mbaziira Francis	In-charge, Internal Audit
	Shaminah Namukuve Kakaire	In- charge, Human Resource Management
	Santosh Kumar Singh	Head of Credit
	Sunil Choudhary	In-charge, Operations
	Jitendra Darji	In-charge, Recovery and Monitoring Cell
	Mohan Prashantam	In-charge, Marketing
	Senkumba Ahmed	Manager Legal
BOARD CREDIT COMMITTEE	Mudumba Krishnama Chary (up to July 31, 2021)	Chairperson
	Sempijja Thadeus (from August 1, 2021)	Chairperson
	Raj Kumar Meena	Managing Director
	Manoj Kumar Bakshi (up to March 24, 2021)	Executive Director
	Prithvi Singh Bhati (from March 25, 2021)	Executive Director
BOARD AUDIT COMMITTEE	Fred Kakongoro Muhumuza	Chairperson
	Odoch Charles Langoya	Non-Executive Director
BOARD RISK MANAGEMENT COMMITTEE	Odoch Charles Langoya	Chairperson
	Raj Kumar Meena	Managing Director
	Manoj Kumar Bakshi (up to March 24, 2021)	Executive Director
	Mudumba Krishnama Chary (up to July 31, 2021)	Non-Executive Director
BOARD ASSET AND LIABILITIES COMMITTEE	Odoch Charles Langoya (from August 1, 2021)	Chairperson
	Mudumba Krishnama Chary (up to July 31, 2021)	Non-Executive Director
	Raj Kumar Meena	Managing Director
	Fred Kakongoro Muhumuza	Non-Executive Director
BOARD HUMAN RESOURCE AND COMPENSATION COMMITTEE	Sempijja Thadeus	Chairperson
	Shanti Lal Jain (up to August 31, 2021)	Non-Executive Director
	Prithvi Singh Bhati (from September 1, 2021)	Executive Director
	Mudumba Krishnama Chary (up to July 31, 2021)	Non-Executive Director
	Fred Kakongoro Muhumuza (from August 1, 2021)	Non-Executive Director

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

PROFILES OF OUR BOARD MEMBERS

MRS. VASTINA RUKIMIRANA NSANZE

Chairperson Board of Directors

Mrs. Vastina Rukimirana Nsanze was appointed as Director of the bank for a period of three years with effect from May 4th, 2018 and re-appointed for another three years. She holds a Bachelor of Laws (LLB) degree from Makerere University, a post graduate certificate in legislative drafting from the commonwealth secretariat, at the Kenya School of Law, Nairobi, Kenya and a Post Graduate Certificate in Legislative Drafting from the Institute of Legislative Drafting in Canberra, Australia. Mrs. Nsanze is a member of Commonwealth Association of Legislative Counsel, an Advocate of Courts of Judicature of Uganda. She has held various positions in Uganda and outside Uganda, including chief legal draftsperson for the Government of Lesotho, Rector of the Institute of Legal Practice and Development in Rwanda, Executive Secretary of the Uganda Law Reform Commission, Commissioner for Law Revision and Chairperson of the Uganda Law Reform Commission

MR. RAJ KUMAR MEENA

Managing Director

Mr. Raj Kumar Meena was appointed as Managing Director with effect from April 1st, 2020. He holds a Bachelor's degree in Commerce, a Postgraduate with Executive MBA in Human Resource Management and is also a Certified Associate of the Indian Institute of Banking and Finance. Mr. Meena joined Bank of Baroda, India on June 1st,1992. He has a rich and varied banking experience of 30 years in various capacities and functional areas such as Regional Head, Assistant General Manager State Level Bankers Committee, Chief Manager Regional Business Development, Chief Manager Branch Operations, Training Center Head, Lead District Manager and Branch Head in India before taking up his present assignment as Managing Director.

MR. PRITHVI SINGH BHATI

Executive Director

Mr. Prithvi Singh Bhati was appointed as Executive Director with effect from March 25, 2021. He holds a Bachelor's of Science degree and an Associate member of Indian Institute of Banking and Finance. Mr Bhati has a rich banking exposure having worked with Bank of Baroda India for the last 23 years in various functional areas such as Banking Operations, Retail Credit and Agriculture Credit. He has served in different capacities such as Head Special Mortgage Store, Chief Manager, Branch Head among others.

PROFILES OF OUR BOARD MEMBERS

MR. SANJAY VINAYAK MUDALIAR

Non-Executive Director

Mr. Sanjay Vinayak Mudaliar was appointed as Director of the Bank w.e.f. 18.02.2022. He holds a Master Degree in Science (Solid State Physics), Bachelor of Science, Prince -2 Project Management Certification (Ministry of Commerce, London, UK), and Post Graduate Diploma in Computer Science & Application. He is also an Associate Member - JAIIB- (Indian Institute of Bankers). Mr. Sanjay is currently holding the post of Chief Technology Officer & Chief General Manager, Bank of Baroda, Baroda Corporate Centre, India. He has vast experience of -23- years in the field of Banking Operations, IT Operations, Digital Banking, Transaction Banking, e-Business & Baroda Cash Management System and other various assignments in Bank of Baroda.

DR. FRED KAKONGORO MUHUMUZA

Non-Executive Director

Dr. Fred Kakongoro Muhumuza was appointed as Director of the Bank for a period of three years with effect from November 22, 2018 and reappointed for further 3 years. He holds a PhD from University of Manchester UK, Certificate in Development Evaluation-Carleton University/World Bank, Master of Arts (Economic Policy and Planning) and a Bachelor of Science (Economics) from Makerere University. He provided technical support including Strategic policy guidance and Regulatory Impact Assessment to a number of Government Ministries, Departments and Agencies. He has also supported the Private Sector and Civil Society planning and policy engagements. He has participated in the development of the Strategic Plans for Financial Sector deepening Uganda - a DFID funded financial inclusion project in Uganda and Private Sector Foundation Uganda along with IPSOS. He is a member of Expanded Board of National Planning Authority Uganda and has had a parallel teaching career for over 26 years at Makerere University (School of Economics and the Business School), Nkumba University, Africa Bible University and Kyambogo University Kampala. He is a Board Member of the African Forum on Debt and Development (AFORDAD) based in Harare.

MR. ODOCH CHARLES LANGOYA

Non-Executive Director

Mr. Odoch Charles Langoya was appointed as Director of the Bank for a period of three years with effect from January 08, 2019 and reappointed for further 3 years. He holds a Bachelor's degree in Development Studies (Hon). Post Graduate Diploma in Financial Management and a Masters in Management Studies. Mr. Odoch is currently working as Global Partner East Africa at the Strategy Management Group DBA Balanced Score card Institute, Cary NC. He possesses vast experience in the field of Tax administration and Strategy Management.

PROFILES OF OUR BOARD MEMBERS

MR. SEMPIJJA THADEUS

Non-Executive Director

Mr. Sempijja Thadeus was appointed as Director of the Bank for a period of three years with effect from March 16, 2018 and reappointed for further 3 years.

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

MRS. ANNE TUMWESIGYE MBONYE

Company Secretary

Mrs. Anne Mbonye is the Company Secretary of the Bank. She was appointed with effect from January 27, 2018 and reappointed for further 3 years. She is an Advocate of the High Court & all courts subordinate. Mrs. Anne holds a Bachelors of Law degree from Makerere University post graduate diploma from the Law Development Centre and a Masters in Law Degree from the University of Cape Town, South Africa.

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

HEAD OFFICE / MAIN BRANCH

Plot 18, Kampala Road PO Box 7197
Kampala, Uganda

BRANCHES

Arua
KKT Plaza
Plot 16-22, Duka Road
Arua, Uganda

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

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

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

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

Kabale
Plot No.94,
Kabale Main Road
P.O Box 1137
Kabale, Uganda

Jinja
Plot 16A/B
Iganga Road
P.O Box 1102
Jinja, Uganda

Kawempe
Plot No. 486, 488 & 489
Bombo Road Kawempe
P.O Box 7820
Kampala, Uganda

Entebbe
Plot No. 24,
Gower Road
P.O Box 589
Entebbe, Uganda

Mbale
3, Pallisa Road
P.O Box 971
Mbale, Uganda

Lira
Plot No 2,
Aputi Road
P.O Box 266
Lira, Uganda

Industrial Area
Plot 37, 39, 41 & 43
Kibira Road
P.O Box 73446
Kampala, Uganda

Mbarara
11 Masaka Road
P.O Box 1517
Mbarara, Uganda

Mukono
Plot No 111, Block 530
Jinja Road, Mukono
P.O Box 122
Mukono, Uganda

Kololo
Plot -31,
Kira Road
Kampala, Uganda

Lugazi
Plot 101/102, Lugazi
P.O Box 113
Lugazi, Uganda

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Code and regulations

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

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

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

Board of Directors

Board charter and work plan

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

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

Board composition and appointments

The Board currently consists of:

- Chairperson 1
- Executive Directors 2
- Non-Executive Directors 3

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

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

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

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

Board meetings

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

Attendance at meetings

The attendance of members at Board meetings during 2021 is detailed below:

NAME OF DIRECTOR	Q1	Q2	Q3	Q4
Vastina Rukimirana Nsanze	A	A	A	A
Raj Kumar Meena	A	A	A	A
Manoj Kumar Bakshi	A	N/M	N/M	N/M
Prithvi Singh Bhati	N/M	A	A	A
Sempijja Thadeus	A	A	A	A
Mudumba Krishnama Chary	A	A	N/M	N/M
Fred Kakongoro Muhumuza	A	A	A	A
Odoch Charles Langoya	A	A	A	A
Shanti Lal Jain	A	A	N/M	N/M

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

Separation of roles and responsibilities

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

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

Committees of the Board

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

CORPORATE GORVERNANCE STATEMENT

The Board had delegated authority to five principal Board Committees:

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

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

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

Board Audit Committee

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

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

The Committee also ensures effective communication between the internal auditors, external auditors, the Board, management and regulators. The committee considers reports from internal audit on any weaknesses in controls that have been identified, including financial controls, and considers corrective actions to be implemented by management to prevent recurring of such incidences. This takes place on an ongoing basis. The Audit Committee has complied with its mandate in the year under review, as well as its responsibilities. Four scheduled meetings were held.

NAME OF DIRECTOR	Q1	Q2	Q3	Q4
Fred Kakongoro Muhumuza	A	A	A	A
Odoch Charles Langoya	A	A	A	A

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

Board Credit Committee

The role of this committee is to ensure that effective frameworks for credit governance are in place in the Bank. This involves ensuring that the Management Credit Committee and the credit function operate according to clearly defined mandates and delegated authority, and providing for the adequate management, measurement, monitoring and control of credit risk. The Committee reports to the Board on credit portfolios, adequacy of provisions and status of non-performing loans. Further detail on the management of credit risk is set out in the Note 3.

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

NAME OF DIRECTOR	Q1	Q2	Q3	Q4
Mudumba Krishnama Chary	A	A	N/M	N/M
Raj Kumar Meena	A	A	A	A
Prithvi Singh Bhati	N/M	A	A	A
Manoj Kumar Bakshi	A	N/M	N/M	N/M
Sempijja Thadeus	A	A	A	A

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

Board Human Resources and Compensation Committee

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

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

NAME OF DIRECTOR	Q1	Q2	Q3	Q4
Sempijja Thadeus	A	A	A	A
Shanti Lal Jain	A	A	N/M	N/M
Mudumba Krishnama Chary	A	A	N/M	N/M
Fred Kakongoro Muhumuza	N/M	N/M	A	A
Prithvi Singh Bhati	N/M	N/M	A	A

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

Board Risk Management Committee

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

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

NAME OF DIRECTOR	Q1	Q2	Q3	Q4
Odoch Charles Langoya	A	A	A	A
Raj Kumar Meena	A	A	A	A
Manoj Kumar Bakshi	A	N/M	N/M	N/M
Mudumba Krishnama Chary	A	A	N/M	N/M

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

Board Assets and Liabilities Committee

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

NAME OF DIRECTOR	Q1	Q2	Q3	Q4
Raj Kumar Meena	A	A	A	A
Mudumba Krishnama Chary	A	N/M	N/M	N/M
Fred Kakongoro Muhumuza	A	A	A	A
Odoch Charles Langoya	N/M	A	A	A

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

Company secretary

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

CORPORATE GORVERNANCE STATEMENT

Internal Control and Risk Management

Internal control

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

Internal control framework

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

Directors' remuneration

The remuneration of all Directors is subject to regular monitoring to ensure that levels of remuneration are appropriate. Information on the remuneration received and dealings of the Directors with the Bank are included in **note 31**.

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

Risk management

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

Relations with shareholders

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

Vastina Rukimirana Nsanze
Chairperson

Raj Kumar Meena
Managing Director

Prithvi Singh Bhati
Executive Director

25th April 2022

Kampala, Uganda

DIRECTOR'S REPORT

The directors have pleasure in submitting their report on the annual report and consolidated and separate financial statements of Bank of Baroda (Uganda) Limited ("the Bank and its subsidiary collectively referred to as "the Group") for the year ended December 31, 2021.

1. Nature of business

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

2. Share capital

			2021	2020
Authorised			**Number of shares**	
Ordinary shares			2,500,000,000	2,500,000,000
	2021 Ush '000	**2020 Ush '000**	**2021**	**2020**
			Number ofshares	
	25,000,000	25,000,000	2,500,000,000	2,500,000,000

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

3. Dividends

The Board of Directors have proposed dividend of UShs 10 per share (2020:UShs 10 per share) to the shareholders of the Bank.

4. Financial risk management objectives and policies

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

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

5. Group response to COVID-19

In 2021, COVID-19 pandemic continued to impact the Bank directly or indirectly, with government easing various restrictions. The Bank is well-positioned to support it's customers as the economy recovers but will continue to remain vigilant to the continued impact of COVID-19 including vaccination progress and the likelihood of uneven economic recovery across markets and industries.

The Board continues to play a key role in steering the Bank's COVID-19 response and receiving regular updates at scheduled Board meetings. The Board's focus remains to protect stakeholder interests, including employees' wellbeing, shareholder rights, customer and client needs, as well as support for the community.

Management have made re-assessment about the recoverability and carrying value of its assets comprising of property, equipment and right-of-use-assets, loans and advances to customers, investments in government securities and placements as at reporting date and has concluded that there are no material adjustments required in the financial statements.

Management has taken into account the possible impact of events that could arise due to COVID-19 pandemic, in the preparation of this financial statements including the entity's ability to continue as going concern. The Directors will continue to monitor all material changes to the Bank's internal and external environment and the carrying value of its assets and liabilities.

6. Directorate

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

DIRECTORS	NATIONALITY	CHANGES
Vastina Rukimirana Nsanze	Ugandan	
Raj Kumar Meena	Indian	
Manoj Kumar Bakshi	Indian	Resigned on March 24, 2021
Prithvi Singh Bhati	Indian	Appointed on March 25, 2021
Shanti Lal Jain	Indian	Resigned on August 31, 2021
Sempijja Thadeus	Ugandan	
Fred Kakongoro Muhumuza	Ugandan	
Odoch Charles Langoya	Ugandan	
Mudumba Krishnama Chary	Indian	Resigned on July 31, 2021

7. Directors' interests in shares

As at December 31, 2021, Raj Kumar Meena held 1,250 ordinary shares of the Bank. However, the Director holds those shares non-beneficially on behalf of the Parent Company.

8. Directors' benefits

During the period since the last Annual General Meeting of members to the date of this report, no Director has received or become entitled to receive any benefit other than Directors' fees and amounts/allowances received under employment contracts for Executive Directors. The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed under note 31 to the financial statements. Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares of the Bank or any other body corporate.

9. Capital adequacy

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

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

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

Disclosures in respect to capital management and capital adequacy ratios are set out in **note 3.**

10. Operating and regulatory environment

The year opened with a foreign exchange rate of US$/USh 3,649 in the month of January 2021 and the same averaged at US$/USh 3,587 during the year and closed at US$/USh 3,545 by end of December 2021.

The Bank complied with the minimum core capital ratio and total capital ratio requirements as dsiclosed in note 3.

11. Corporate governance

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

12. Human resource management

The human resource management department continues to play a very important role in the ever-changing competitive scenario. The Bank's mission continues to be to convert every employee of the Bank into a knowledgeable worker to enable them cope with increased customer expectations and new areas of banking outside the traditional zone. 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. We have recruited seven officers in the departments of risk, compliance, audit Marketing and IT and drivers/office assistants. The promotion exercise was conducted where one staff was promoted from supervisor to officer cadre, two clarks (Banking assistants to supervisor)

13. Information technology

With effect from February 25, 2008, the Bank installed Banking Software (Finacle) which was developed by Infosys Technologies Limited. All branches and alternative delivery channels of the Bank are connected to Finacie, the Core Banking System. Bank has implemented transaction-based internet Banking "Baroda Connect" in June 2010. The Bank also launched its website in June 2011 facilitating our customers and the public at large to have updated information about the Bank and its various products/services. The Bank also implemented E-collection of Uganda Revenue Authority (URA) Taxes and National Water and Sewerage Corporation (NWSE) water bills from November 2011. Collection of NSSF contributions from employers since August 2012 and collection of UMEME bills since July 2013. SMS alert system for debit and credit transactions has also been implemented in year 2017. Information and Communication Technology (ICT) audit by external auditor was conducted in year 2019. Automated clearing house (ACH) for Electronic Funds Transfer (EFT) and Cheque Clearing System (CTS) implemented on April 20, 2018. VISA accreditation project for all our debit cards, ATMs and contact center went live on June 9, 2018. Mobile Banking

DIRECTOR'S REPORT

launched on June 9, 2018. Rapid fund transfer to India through alternate delivery channels and website re-designing went live in year 2019. Fund transfer to other Bank facility in internet banking, E meeting for paper-less board meeting and Contactless VISA card and cardless cash withdrawal from ATM facility launched in 2019. Some Cash recyclers were installed in place of ATM & integration of ASCROM in CBS completed in 2020. Agency banking & up-gradation of CBS version 7 to version 10 were completed in 2021. Continued focus on leveraging technology has resulted in process efficiencies and enhanced customer convenience.

14. Events after the reporting period

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

15. Discontinued operations

The directors have decided to discontinue operations of Baroda Capital Markets (Uganda) Limited ("the subsidiary") susbsequent to the year end.

16. Independent auditor

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

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

17. Secretary

The company secretary is Ann Tumwesigye Mbonye of business address
PO Box 7197 Kampala, Uganda

18. Approval of financial statements

The annual report and consolidated and separate financial statements set out on pages 19 to 66 which have been on the going concern basis were approved by the board of directors on 25TH MARCH 2022

By Order of the Board

Anne Tumwesigye Mbonye
Company Secretary

25th April 2022

Kampala, Uganda

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

The independent auditor was given unrestricted access to all financial records and related information, including minutes of meetings of shareholders, the Board of Directors and board committees. The Directors believe that all representations made to the independent auditor during the audit are valid and appropriate.

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

The annual report and consolidated and separate financial statements set out on pages 64 to 113, which have been prepared on the going concern basis, were approved by the Board of Directors on 25th March 2022 and were signed on its behalf by:

Vastina Rukimirana Nsanze
Chairperson

...gh Bhati
Executive Director

Raj Kumar Meena
Managing Director

25th April 2022

Kampala, Uganda

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

To the members of Bank of Baroda (Uganda) Limited

Report on the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Bank of Baroda (Uganda) Limited ("the Bank") and its subsidiary (collectively referred to as "the Group") set out on pages 64 to 113, which comprise the consolidated and separate statement of financial position as at December 31, 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Bank of Baroda (Uganda) Limited as at December 31, 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Companies Act, 2012 and the Financial Institutions Act, 2004, and as amended.

Basis for opinion

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

Key audit matter

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances to customers We considered this a key audit matter in view of the complex and subjective judgments exercised by the Directors in estimating the provision for Expected Credit Losses (ECL) on loans and advances. In addressing this area, we focused on the following: • Allocation of loans and advances to stage 1, 2, or 3 in accordance with IFRS 9 considering the impact of COVID-19 and related government support measures;	Our audit procedures included understanding and testing of the design, implementation and operating effectiveness of the key controls over the following: a. Controls over approving, recording and monitoring of the loans and advances; b. Controls over the allocation of loans and advances to stages; and c. The governance process of loans downgrading, including the contiuous re-assessment of the appropriateness of assumptions used in for determining the impairment allowance.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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• Modelling assumptions, estimates and data used to build and run the models that calculate the ECL; and.
• Appropriateness and completeness of overlays and overrides applied within the ECL calculation to adjust for known deficiencies.

As disclosed in notes 1.11 & 16 to the financial statements, the Directors have estimated a provision for ECL on loans and advances to customers of UShs 11,467,358 thousand at December 31, 2021(2020: UShs 12,283,140 thousand)

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Our testing of the design, implementation and operating effectivenes of the controls provided a basis for us to continue with the planned nature, timing and extent of our audit procedures.

Our procedures to assess the Directors' provision, inresponse to the elevated inherent risk in ECL on loans and advances to customers included the following:
a. We obtained an understanding of the Bank's credit policy and evaluated the processes for identifying impairment indicators and consequently, the grading of loans for compliance on the classification;
b. We selected a sample of loans considering the total exposure, risks, industry trends, etc. For selected samples, we have verified the total exposure, value of security, financial performance and banking of borrowers during the year;
c. We assessed Directors' forecast of recoverable cashflows, valuation of collaterals, estimates of recovery ondefault and other sources of repayment. We evaluated the consistency of key assumptions applied, benchmarking these to our own understanding of the relevant industriesand business environments, to assess the validity of thecollateral valuations. We re-computed Directors' calculationof the impairment allowances to check the accuracy and completeness of data captured in the ECL model;
d. We challenged Directors' judgement and we increased the focus on loans that were not reported as being impaired in sectors that are currently experiencing difficult economic and market conditions;
e. We tested a sample of the data used in the models as well as assessing the model methodology and tested the calculations within the models;
f. We assessed whether the modelling assumptions used considered all relevant risks. We also tested the extraction from underlying systems of historical data used in the models;
g. We involved our IT specialists in the areas that required specific expertise for confirming accuracy and completeness of the data used for ECL model;
h. We assessed the adequacy and appropriateness of disclosures in the financial statements.

Based on our audit procedures, we did not identify any exceptions that would result in material misstatement to the financial statements.

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Other information

The directors are responsible for the other information. The other information comprises of information on pages 42 to 59. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRSs, the requirements of the Companies Act, 2012 and the Financial Institutions Act, 2004, and as amended, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

Report on other legal and regulatory requirements

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

- we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- in our opinion, proper books of account have been kept by the Group and the Bank, so far as appears from our examination of those books; and
- the Group's and the Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Uday Bhalara - P0474.

Uday Bhalara
P0474

Grant Thornton
Certified Public Accountants

April 25 2022
Kampala, Uganda

FINANCIAL STATEMENTS

Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income

		Group		Bank	
	Note	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Continuing operations					
Interest income	5	185,040,259	170,294,953	185,040,259	170,294,953
Interest expense	6	(53,868,241)	(58,331,885)	(53,868,241)	(58,346,080)
Net interest income		**131,172,018**	**111,963,068**	**131,172,018**	**111,948,873**
Non-interest income	7	34,168,062	37,033,573	34,168,062	37,018,049
Operating expenses	8	(54,852,699)	(38,867,726)	(54,852,699)	(38,775,818)
Impairment allowance on financial assets	16	7,242,075	(2,587,394)	7,242,075	(2,587,394)
Profit before taxation		**117,729,456**	**107,541,521**	**117,729,456**	**107,603,710**
Taxation	10	(27,497,740)	(24,224,076)	(27,497,740)	(24,232,716)
Profit from continuing operations		**90,231,716**	**83,317,445**	**90,231,716**	**83,370,994**
Discontinued operations					
Loss from discontinued operations (net of tax)	11	(182,932)	-	-	-
Profit for the year		**90,048,784**	**83,317,445**	**90,231,716**	**83,370,994**
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Investment in government securities at FVTOCI - net change in fair value (net of tax)		2,781,329	(5,594,507)	2,781,329	(5,594,507)
Investment in government securities at FVTOCI - reclassified to profit or loss (net of tax)		9,000,603	5,230,813	9,000,603	5,230,813
Other comprehensive (loss) for the year		**11,781,932**	**(363,694)**	**11,781,932**	**(363,694)**
Total comprehensive income		**101,830,716**	**82,953,751**	**102,013,648**	**83,007,300**
Earnings per share					
Basic and diluted earnings per share (UShs) - continuing operations	32	36.09	34.95	36.09	34.97
Basic and diluted earnings per share (UShs) - continuing and discontinued operations	32	36.02	34.95	36.09	34.97

The notes on pages 69 to 113 are an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statement of Financial Position

		Group		Bank	
	Note	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Assets					
Cash and balances with Bank of Uganda	12	210,572,779	127,286,020	210,572,779	127,256,890
Investment in government securities	13	714,185,977	710,997,867	714,185,977	710,997,867
Due from group companies	14	8,205,601	10,936,367	8,205,601	10,936,367
Deposit and balances due from other financial institutions	15	276,713,146	393,154,012	276,713,146	393,154,012
Loans and advances to customers	16	942,096,250	833,536,490	942,096,250	833,536,490
Other assets	17	4,691,050	3,897,605	4,691,050	3,893,132
Current tax receivable	18	2,946,614	1,331,750	2,946,614	1,306,247
Investment in subsidiary	19	-	-	-	40,000
Property, equipment and right-of-use assets	20	29,052,614	28,913,224	29,052,614	28,911,906
Intangible assets	21	134,035	176,044	134,035	176,044
Deferred tax	22	-	2,198,427	-	2,178,683
Assets of disposal groups	11	676,427	-	40,000	-
Total Assets		**2,189,274,493**	**2,112,427,806**	**2,188,638,066**	**2,112,387,638**
Equity and Liabilities					
Equity					
Share capital	23	25,000,000	25,000,000	25,000,000	25,000,000
Reserves		11,976,643	7,745,084	11,976,643	7,745,084
Proposed dividend		50,000,000	25,000,000	50,000,000	25,000,000
Retained earnings		467,713,346	395,133,120	467,324,206	394,542,117
		554,689,989	**452,878,204**	**554,300,849**	**452,287,201**
Liabilities					
Customer deposits	25	1,592,215,724	1,572,331,133	1,592,215,726	1,572,968,176
Repurchase agreement and borrowed funds	26	9,065,722	19,831,511	9,065,722	19,831,511
Other liabilities	27	30,983,380	66,242,419	30,983,380	66,156,211
Retirement benefit obligation	28	-	1,144,539	-	1,144,539
Deferred tax	22	2,072,389	-	2,072,389	-
Liabilities of disposal groups	11	247,289	-	-	-
Total Liabilities		**1,634,584,504**	**1,659,549,602**	**1,634,337,217**	**1,660,100,437**
Total Equity and Liabilities		**2,189,274,493**	**2,112,427,806**	**2,188,638,066**	**2,112,387,638**

Consolidated and separate financial statements on pages 64 to 113, were approved by the Board of Directors on 25th March 2022 and were signed on its behalf by:

Vastina Rukimirana Nsanze
Chairperson

Raj Kumar Meena
Managing Director

Prithvi Singh Bhati
Executive Director

Anne Tumwesigye Mbonyo
Company Secretary

The notes on pages 70 to 114 are an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statement of Changes in Equity

	Share capital	Treasury shares	Regulatory credit risk reserve	Revaluation reserve	FVTOCI Reserve	Proposed dividend	Retained earnings	Total equity
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Consolidated								
Balance at January 1, 2020	**25,000,000**	**(6,433)**	**4,766,591**	**8,709,958**	**(7,302,332)**	**25,000,000**	**338,750,236**	**394,918,020**
Profit of the year	-	-	-	-	-	-	83,317,445	83,317,445
Transfer to FVTOCI reserves (net of taxt)	-	-	-	-	(5,594,507)	-	-	(5,594,507)
Recycling of government securities at FVTOCI (net of tax)	-	-	-	-	5,230,813	-	-	5,230,813
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(363,694)**	**-**	**83,317,445**	**82,953,751**
Transfer to regulatory reserves	-	-	2,370,059	-	-	-	(2,370,059)	-
Transfer of excess depreciation on revelation (net of tax)	-	-	-	(435,498)	-	-	435,498	-
Dividend payable				-	-	(25,000,000)	-	(25,000,000)
Dividend proposed	-	-	-	-	-	25,000,000	(25,000,000)	-
Sale of treasury shares		6,433	-	-	-	-	-	6,433
Total transactions with owners of the group	**-**	**6,433**	**2,370,059**	**(435,498)**	**-**	**-**	**(26,934,561)**	**(24,993,567)**
Balance at December 31, 2020	**25,000,000**	**-**	**7,136,650**	**8,274,460**	**(7,666,026)**	**25,000,000**	**395,133,120**	**452,878,204**
Profit of the year	-	-	-	-	-	-	90,048,784	90,048,784
Transfer to FVTOCI reserves (net taxt)	-	-	-	-	2,781,329	-	-	2,781,329
Recycling of government securities at FVTOCI (net of tax)	-	-	-	-	9,000,603	-	-	9,000,603
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**11,781,932**	**-**	**90,048,784**	**101,830,716**
Transfer to regulatory reserves	-	-	(7,136,650)	-	-	-	7,136,650	-
Transfer of excess depreciation on revaluation (net of tax)	-	-	-	(413,723)	-	-	413,723	-
Dividend proposed	-	-	-	-	-	25,000,000	(25,000,000)	-
Others	-	-	-	-	-	-	(18,931)	(18,931)
Total transactions with owners of the group	-	-	**(7,136,650)**	**(413,723)**	-	**25,000,000**	**(17,468,558)**	**(18,931)**
Balance at December 31, 2021	**25,000,000**	-	-	**7,860,737**	**4,115,906**	**50,000,000**	**467,713,346**	**554,689,989**
Note	23	23	24					

Consolidated and Separate Statement of Changes in Equity

	Share capital	Treasury shares	Regulatory general credit risk reserve	Revaluation reserve	FVTOCI Reserve	Proposed dividend	Retained earnings	Total equity
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Separate								
Balance at January 1, 2020	**25,000,000**	**-**	**4,766,591**	**8,709,958**	**(7,302,332)**	**25,000,000**	**338,105,684**	**394,279,901**
Profit of the year	-	-	-	-	-	-	83,370,994	83,370,994
Transfer to FVTOCI reserves (net of taxt)	-	-	-	-	(5,594,507)	-	-	(5,594,507)
Recycling of government securities at FVTOCI (net of tax)	-	-	-	-	5,230,813	-	-	5,230,813
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(363,694)**	**-**	**83,370,994**	**83,007,300**
Transfer to regulatory reserves	-	-	2,370,059	-	-	-	(2,370,059)	-
Transfer of excess depreciation on revelation (net of tax)	-	-	-	(435,498)	-	-	435,498	-
Dividend payable	-	-	-	-	-	(25,000,000)	-	(25,000,000)
Dividend proposed	-	-	-	-	-	25,000,000	(25,000,000)	-
	-	**-**	**2,370,059**	**(435,498)**	**-**	**-**	**(26,934,561)**	**(25,000,000)**
Balance at December 31, 2020	**25,000,000**	**-**	**7,136,650**	**8,274,460**	**(7,666,026)**	**25,000,000**	**394,542,117**	**452,287,201**
Profit of the year	-	-	-	-	-	-	90,231,716	90,231,716
Transfer to FVTOCI reserves (net taxt)	-	-	-	-	2,781,329	-	-	2,781,329
Recycling of government securities at FVTOCI (net of tax)	-	-	-	-	9,000,603	-	-	9,000,603
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**11,781,932**	**-**	**90,231,716**	**102,013,648**
Transfer to regulatory reserves	-	-	(7,136,650)	-	-	-	7,136,650	-
Transfer of excess depreciation on revaluation (net tax)	-	-	-	(413,723)	-	-	413,723	-
Dividend proposed	-	-	-	-	-	25,000,000	(25,000,000)	-
Total transactions with owners of the Bank	-	-	**(7,136,650)**	**(413,723)**	-	**25,000,000**	**(17,449,627)**	**-**
Balance at December 31, 2021	**25,000,000**	-	-	**7,860,737**	**4,115,906**	**50,000,000**	**467,324,206**	**554,300,849**
Note	23	23	24					

The notes on pages 69 to 113 are an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statement of Cash Flows

		Group		Bank	
	Note(s)	2021 USh s '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Cash flows from operating activities					
Interest receipts		170,962,441	186,859,361	170,962,441	186,859,361
Interest payments		(53,815,027)	(58,826,481)	(53,815,027)	(58,826,481)
Net fees and commission receipts		21,161,693	18,838,014	21,161,693	18,806,966
Other income received		3,765,405	13,581,663	3,765,405	13,597,187
Recoveries on loans previously written off		8,326,392	6,068,414	8,326,392	6,068,414
Payments to employees and suppliers		(38,505,588)	(38,872,899)	(38,659,390)	(38,872,899)
Loss from discontinued operations		(182,932)	—	—	—
Changes in:					
Loans and advances to customers		(85,444,420)	(48,883,759)	(85,444,420)	(48,883,759)
Cash reserve requirement		(2,970,000)	(12,550,000)	(2,970,000)	(12,550,000)
Investment in government securities		(122,521,567)	6,126,041	(122,521,567)	6,126,041
Other assets		(1,231,416)	291,911	(1,231,416)	332,243
Customer deposits		18,964,169	146,842,806	18,964,169	146,842,806
Other financial liabilities		(10,765,789)	16,044,502	(10,765,789)	16,044,502
Other liabilities		(16,596,437)	16,179,401	(16,596,437)	16,184,749
		(108,853,076)	**251,698,974**	**(108,823,946)**	**251,729,130**
Tax paid	18	(28,294,301)	(23,926,256)	(28,294,301)	(23,921,589)
Net cash from operating activities		**(137,147,377)**	**227,772,718**	**(137,118,247)**	**227,807,541**
Cash flows from investing activities					
Purchase of property, equipment and right-of-use assets		(1,793,034)	(1,081,142)	(1,793,034)	(1,081,142)
Sale of property, equipment and right-of-use assets		1,201	600	1,201	600
Purchase of intangible assets		(37,284)	(133,950)	(37,284)	(133,950)
Net cash used in investing activities		**(1,829,117)**	**(1,214,492)**	**(1,829,117)**	**(1,214,492)**
Cash flows from financing activities					
Dividends paid		(24,895,491)	—	(24,895,491)	—
Proceeds from sale of treasury shares		—	41,186	—	—
Net cash from financing activities		**(24,895,491)**	**41,186**	**(24,895,491)**	—
Net change in cash and cash equivalents for the year		**(163,871,985)**	**226,599,412**	**(163,842,855)**	**226,593,049**
Cash and cash equivalents at the beginning of the year		807,192,446	580,593,034	807,163,316	580,570,267
Total cash and cash equivalents at end of the year	29	**643,320,461**	**807,192,446**	**643,320,461**	**807,163,316**

The notes on pages 69 to 113 are an integral part of these consolidated and separate financial statements.

Notes to the Consolidated and Separate Financial Statements

Corporate information

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

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

The Registered office of the Bank is:
Plot 18, Kampala Road,
PO Box 7197,
Kampala, Uganda

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

The consolidated financial statements of the Group for the year ended December 31, 2021 comprise the Bank and its subsidiary, Baroda Capital Markets (Uganda) Limited ("the Subsidiary"). The Subsidiary is engaged in brokerage of securities and shares traded at the USE.

The separate financial statements for the year ended December 31, 2021 comprise Bank only.

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Critical judgements and key sources of estimation uncertainty

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

Fair value estimation

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

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

Impairment allowance

The impairment allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period;

- For individually significant financial assets, the Group considered judgements that have an impact on the expected future cash flows of the asset. These include, the business prospects, industry and geopolitical climate of the customer, realizable value of collateral, the Group's legal position, etc. Many of the key judgement factors have a degree of interdependency, therefore a significant level of judgement is required.
- For financial assets which are not individually significant, which comprise a large number of loans that with similar risk characteristics, statistical estimates and techniques are used. These techniques use models which analyze sector wise historical repayment and default rates over a period of five years. Further judgement is required to determine whether the current economic climate, behavioural and credit conditions are such that the actual level of incurred losses, and losses inherent in the collective portfolio is likely to be greater or less than historical experience, and is not fully reflective in the allowance estimated through the use of statistical models and historical data.
- The difference between the loan carrying amount and the discounted expected future cash flows will result in the impairment amount. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/forbearance measures are taken, the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

Useful lives of property equipment and right-of-use assets

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

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

Provisions

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

Leases

The significant judgements in the implementation were determining if a contract contained a lease, and the determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates in the respective economic environments. The average discount rate applied to lease liabilities was 2.58% p.a for US dollar lease liabilities and 14.31% p.a for Uganda Shilling lease liabilities.

Taxation

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

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

Critical judgements in applying accounting policies

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

Impairment of non financial assets

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

1.3 Revenue

Recognition of interest income and interest expense

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

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

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

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

Fees and commission on financial services

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

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

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

Brokerage fees

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

Dividend income

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

1.4 Property, equipment and right-of-use assets

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

Property, equipment and right-of-use assets is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for buildings which are stated at revalued amounts less accumulated depreciation and any accumulated impairment losses.

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

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

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

NATURE OF ASSETS	DEPRECIATION METHOD	% OF DEPRECIATION / YEARS
Buildings	Straight line	20 years
Furniture and fixtures	Reducing balance basis	12.50%
Motor vehicles	Reducing balance basis	20.00%
IT equipment	Straight line	3 to 5 years
Right -of-use assets	Straight line	2 to 16 years

Freehold land is not depreciated.

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

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

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

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

1.5 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

1.6. Translation of foreign currencies

Foreign currency transactions

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

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

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- foreign currency non-monetary items that are not measured at fair value are not retranslated; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

1.7. Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

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

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

Defined benefit plan

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

1.8. Leases

At the inception of the contract, the Group assesses whether a contract is, a lease. Contract is, or contains, a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. To assess whether contract covers the right to control the use of an identified assets, the Group assesses whether;

- the contract involves the use of an identified assets - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

As a lessee

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

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

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

Lease payments included in the measurement of the lease !ability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, intially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an operational renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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

1.9 Tax

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

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

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

Current tax assets and liabilities

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

Deferred tax assets and liabilities

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

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

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

1.10. Impairment of non-financial assets

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

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

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

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

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

1.11. Financial instruments

Initial measurement of financial instruments

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

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

Measurement categories of financial assets and liabilities

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

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

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

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

Determination of fair value

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

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

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

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

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

Financial assets and liabilities

Financial assets at amortized cost

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

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

The details of these conditions are outlined below:

Business model assessment

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

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

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

The SPPI Test

As a second step of its classification process, the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

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

Financial assets and liabilities held at FVTPL

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

Debt instruments at FVOCI

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

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

The contractual terms of the financial asset meet the SPPI test

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

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

Equity instruments at FVOCI

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

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

Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

Reclassification of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

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

Derecognition other than for substantial modification

Financial assets

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

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

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

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

Financial liabilities

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

Impairment of financial assets

Overview of the ECL principles

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

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

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

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

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

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

	When loans are first recognised, the Group recognises an allowance based on 12mECL.
STAGE 1:	Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
STAGE 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3. Instances for stage 2 may include a customer with various facilities and defaults on one of them, restructured debt and/ sector affected by natural hazards.
STAGE 3:	Loans considered credit impaired. The Group records an allowance for the LTECL. Instances may include customer being declared bankrupt by an independent government authority, pronounced a defaulter by another financial institution and receiving a directive from the regulator to fully impair the party's receivable.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

The calculation of ECL

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

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

- Probability of Default (PD):

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

- Exposure at Default (EAD):

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

- Loss Given Default:

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

1.12 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.

1.13 Provisions and contingencies

Provisions are recognised when:

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

Contingent assets and contingent liabilities are not recognised.

1.14 Equity

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

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

1.15 Consolidation

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

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

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

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

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

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

1.16 Earnings per ordinary share

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

1.17 Dividend

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

1.18 Discontinued operations

Disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021	The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2022 or later periods:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
• Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022	Unlikely there will be a material impact
• Annual Improvements to IFRS Standards 2018 - 2020 Cycle	January 1, 2022	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	January 1, 2023	Unlikely there will be a material impact
• Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023	Unlikely there will be a material impact

3. Financial risk management

Financial risk management

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

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

(a) Capital management

Internally imposed capital requirements

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

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- to comply with the capital requirements set by Bank of Uganda;
- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other

stakeholders;

- to maintain a strong capital base to support the development of its business; and
- to maintain an optimal capital structure to reduce the cost of capital.

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

Externally imposed capital requirements

The Financial Institutions (Capital Adequacy Requirements) Regulations, 2018 require financial institutions to: (a) hold the minimum level of regulatory capital of USh 25 billion; (b) maintain core capital of not less than 12.5% of total risk weighted assets plus risk weighted off-balance sheet items; and (c) maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

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

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

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

Notes to the Consolidated and Separate Financial Statements

The table below summarizes the composition of the regulatory capital.

	Bank	
	2021	2020
	UShs ‘000	UShs ·ooo
Core capital (Tier 1)		
Share capital	25,000,000	25,000,000
Accumulated profit	467,324,206	394,542,117
Intangible assets	(134,035)	(176,044)
Unrealised foreign exchange gain	(490,731)	—
FVTOCI reserve	4,115,906	(7,666,026)
Investments in subsidiaries	(40,000)	(40,000)
Deferred tax	—	(2,178,683)
Total Tier 1 Capital	**495,775,346**	**409,481,364**
Supplementary capital (Tier 2)		
Unencumbered general provisions (FI Act)	9,532,131	8,353,993
Revaluation reserve	7,860,737	8,274,460
Total Tier 2 Capital	**17,392,868**	**16,628,453**
Tier 1 capital	495,775,346	409,481,364
Tier 2 capital	17,392,868	16,628,453
Total capital (Tier 1 + Tier 2)	**513,168,214**	**426,109,817**

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

Particulars			2021			2020
	Balance Sheet Nominal Amount UShs '000	Risk Weight %	Risk Weighted Amount UShs UShs '000	Balance Sheet Nominal Amount UShs '000	Risk Weight %	Risk Weighted Amount UShs '000
Assets						
Notes, coins and other cash assets	17,757,537	0%	-	16,589,541	0%	-
Investment in government securities	714,185,977	0%	-	710,997,867	0%	-
Due from Commercial Banks in Uganda	23,358,663	20%	4,671,733	29,923,700	20%	5,984,740
Balance with Bank of Uganda	192,815,242	0%	-	110,667,349	0%	-
Placements with local Banks	106,090,970	20%	21,218,194	153,855,035	20%	30,771,007
Placements with foreign Banks	143,811,922	100%	143,811,922	208,214,209	100%	208,214,209
Due from banks outside Uganda with long term rating as follows:						
i. Rated AAA to AA (-)	-	20%	-	-	20%	-
ii. Rated A (+) to A (-)	3,451,591	50%	1,725,796	1,161,068	50%	580,534
iii. Rated BBB and non-rated	8,205,601	100%	8,205,601	10,936,367	100%	10,936,367
Loans and advances to customers (excluding loans secured by 100% cash margin)	875,659,569	100%	875,659,569	762,921,560	100%	762,921,560
Outstanding balance fully secured by FDR/SDR	77,553,523	0%	-	72,477,776	0%	-
Other assets	4,691,050	100%	4,691,050	3,893,132	100%	3,893,132
Current tax receivable	2,946,614	100%	2,946,614	1,306,247	100%	1,306,247
Investment in subsidiaries	40,000	0%	-	40,000	0%	-
Deferred tax	-	0%	-	2,178,683	0%	-
Property, equipment and right-of-use assets	29,052,614	100%	29,052,614	28,911,906	100%	28,911,906
Intangible assets	134,035	0%	-	176,044	0%	-
Total assets*	**2,199,754,908**		**1,091,983,093**	**2,114,250,484**		**1,053,519,702**
Off-balance sheet items						
Contingents secured by cash collateral	27,648,344	0%	-	34,659,932	0%	-
Direct credit substitutes (guarantees and acceptances)	28,267,243	100%	28,267,243	37,339,318	100%	37,339,318
Transaction related (performance bonds and standbys)	19,799,872	50%	9,899,936	12,144,532	50%	6,072,266
Documentary Credits (trade related and self liquidating)	80,822,768	20%	16,164,554	99,302,342	20%	19,860,468
Other Commitments (unused formal facilities)	294,802,291	50%	147,401,146	216,647,923	50%	108,323,962
Total off balance sheet items	**451,340,518**		**201,732,879**	**400,094,047**		**171,596,014**
Total risk weighted assets			**1,293,715,972**			**1,225,115,716**
Weighted items with market risk			912,677			1,532,945
Weighted items with counter party credit risk			-			-
Total Risk Weighted items			**1,294,628,649**			**1,226,648,661**

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

	2021 UShs '000	2020 UShs '000
Total assets as per Statement of Financial Position	2,188,638,066	2,112,387,638
Less: Loans and advances to customer (as per IFRS)	(942,096,250)	(833,536,490)
Add: Loans and advances to customer (as per FI Act)	953,213,092	835,399,336
***Total assets (as above)**	**2,199,754,908**	**2,114,250,484**

Reconciliation of loan and advances to customers between IFRS and FIA	2021 Ushs '000	2020 Ushs'000
Gross loans and advances	953,592,441	846,927,572
Less: Specific provision as per FIA 2004 (and as amended)	(350,516)	(11,065,798)
Less: Interest in suspense	(28,833}	(462,438)
Net loans and advances to customers for regulatory purposes	**953,213,092**	**835,399,336**
Represented by:		
Outstanding balance fully secured by FDR/SOR	77,553,523	72,477,776
Loans and advances to customers (excluding loans secured by 100% cash margin)	875,659,569	762,921,560
	953,213,092	**835,399,336**

	2021 Actual Ratios	2021 Minimum Requirements	2020 Actual Ratios	2020 Minimum Requirements
Core capital to risk assets ratio	38.29%	12.50%	33.38%	10.00%
Total capital to risk assets ratio	39.64%	14.50%	34.74%	12.00%

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

Credit risk

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

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

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

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

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

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

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

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

Investments

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

Risk limit control and mitigation policies

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

- Formulating credit policies covering collateral requirements, credit assessment risk grading, legal procedures for documentation, reporting and compliance with regulatory and statutory requirements.
- Establishing the authority structure for approval and renewal of credit facilities. Discretionary lending powers have been allocated to the Credit Committee of Board, Credit Management Committee, Managing Director, Assistant General Managers, Chief Managers/ Senior Branch Managers, Credit Committee of the Board to oversee the credit portfolio of the Group.
- Developing and maintaining the Group·s risk grading in order to categorise exposures according to degree of risk of financial loss faced and the focus on management of consequent risk or loss. The current risk grading framework consist of 5 categories of risk grades reflecting the varying grades of risk of default and availability of collaterals or other risk mitigates, risk grades are subject to regular review by the Group.
- Setting exposure limits i.e. credit concentration. The Group has in place a framework of exposure ceiling of various industries, counterparties, country (for investment securities) etc.
- Review and assessment of credit risk - the Group carries out a conscious assessment of credit exposure in excess of designated limits, prior to the facilities being committed to the customer. This is a part of the appraisal system for processing the request of borrower for a credit facility. Renewals and review of credit facilities are also subject to the same appraisal criteria.
- Review of the compliance of the various regulatory limits, exposure ceilings etc. at regular intervals by the Group.
- The management provide assistance to the business units/branches to promote best practices for credit appraisal throughout the Group in management of credit risk

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

Some other specific control and mitigation measures are outlined below:

Collateral

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

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

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

Credit-related commitments

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

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

Maximum exposure to credit risk before collateral held;

	Group		Bank	
Particulars	**2021**	**2020**	**2021**	**2020**
	UShs '000	**UShs '000**	**UShs '000**	**UShs '000**
Balances with Bank of Uganda	192,815,242	110,696,479	192,815,242	110,667,349
Deposit and balances due from other banking institutions	276,713,146	393,154,012	276,713,146	393,154,012
Due from group companies	8,205,601	10,936,367	8,205,601	10,936,367
Investment in government securities	714,185,977	710,997,867	714,185,977	710,997,867
Other assets	4,691,050	3,897,605	4,691,050	3,893,132
Loans and advances to customers (net)	942,096,250	833,536,490	942,096,250	833,536,490
Credit exposure relating to off-balance sheet items:				
Acceptances and letters of credit	80,822,768	99,302,342	80,822,768	99,302,342
Guarantees and performance	48,067,115	49,483,850	48,067,115	49,483,850
Commitments to lend	294,802,291	216,647,923	294,802,291	216,647,923
Other credit commitments	27,648,344	34,659,932	27,648,344	34,659,932
	2,590,047,784	**2,463,312,867**	**2,590,047,784**	**2,463,279,264**

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

As shown above, 36.37% (2020: 33.84%) of the total maximum exposure of the Group is derived from loans and advances to banks and customers. 27.57% (2020: 28.86%) represents investments government securities.

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

Notes to the Consolidated and Separate Financial Statements

Impairment and provisioning policies

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

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

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

- 89.07% (2020: 90.16%) of the gross loans and advances portfolio are at stage 1;
- 51.37% (2020: 48.95%) of the loans are backed by collaterals;
- 100.00% (2020: 100%) of the investments in debt securities are government securities; and
- The Group exercises stringent control over granting of new loans.

Loans and advances are categorized as follows:

	Bank		Group	
	2021 UShs '000	**2020 UShs '000**	**2021 UShs '000**	**2020 UShs '000**
Stage 1	849,369,210	763,653,449	849,369,210	763,653,449
Stage 2	64,568,708	71,548,628	64,568,708	71,548,628
Stage 3	39,654,523	11,725,495	39,654,523	11,725,495
Gross loans and advances	**953,592,441**	**846,927,572**	**953,592,441**	**846,927,572**
Impairment allowance	(11,467,358)	(12,283,140)	(11,467,358)	(12,283,140)
Interest in suspense	(28,833)	(462,438)	(28,833)	(462,438)
Loss on loan contract modification	-	(645,504)	-	(645,504)
Loans and advances - net	**942,096,250**	**833,536,490**	**942,096,250**	**833,536,490**

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

Loans and advances renegotiated

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, COVID-19 relief by Bank of Uganda, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value. The Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Group's credit policy, loan restructure is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

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

Stage 3 loans and advances

	Group		Bank	
	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Loans				
Corporate	21,280,757	7,946,673	21,280,757	7,946,673
Retail	718,781	380,237	718,781	380,237
	21,999,538	8,326,910	21,999,538	8,326,910
Overdrafts				
Corporate	17,498,116	3,345,072	17,498,116	3,345,072
Retail	159,869	53,513	159,869	53,513
	17,657,985	3,398,585	17,657,985	3,398,585
Total stage 3 loans and advances	**39,657,523**	**11,725,495**	**39,657,523**	**11,725,495**

Concentration of credit risk

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

At December 31, 2021

	Loans and advances %	Credit commitments %
Manufacturing	41.47	36.28
Wholesale and retail trade	11.34	19.77
Transport and communication	0.90	0.78
Building and construction	12.39	11.34
Agriculture	29.36	17.84
Individuals	0.65	0.52
Others	3.89	13.47
	100.00	**100.00**

At December 31, 2020	Loans and advances %	Credit commitments %
Manufacturing	44.46	53.22
Wholesale and retail trade	7.94	11.62
Transport and communication	0.83	0.14
Building and construction	15.41	7.79
Agriculture	25.98	16.78
Individuals	0.75	0.10
Others	4.63	10.35
	100.00	**100.00**

Liquidity risk

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

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts,

Notes to the Consolidated and Separate Financial Statements

maturing deposit and calls on cash settled contingencies. The Group does not maintain cash resources to meet all these needs as experience that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

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

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

At December 31, 2021	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets	**UShs '000**	**UShs '000**	**UShs '000**	**UShs '000**	**UShs '000**	**UShs '000**
Cash and balances with Bank of Uganda	184,169,548	13,296,101	13,107,130	-	-	210,572,779
Investment in government securities	6,406,249	50,431,320	268,032,376	149,071,522	240,244,510	714,185,977
Due from group companies	8,205,601	-	-	-	-	8,205,601
Deposit and balances due from other financial institutions	152,380,869	35,482,003	88,850,274	-	-	276,713,146
Loans and advances to customers	44,470,256	80,467,050	117,844,040	266,802,640	432,512,264	942,096,250
Total assets	**395,632,523**	**179,676,474**	**487,833,820**	**415,874,162**	**672,756,774**	**2,151,773,753**
Liabilities						
Repurchase agreement and borrowed funds	9,065,722	-	-	-	-	9,065,722
Customer deposits	77,842,168	246,210,166	407,021,790	861,141,601	-	1,592,215,725
Other liabilities	1,114,212	-	1,503,843	5,865,995	7,301,373	15,785,423
Total liabilities	**88,022,102**	**246,210,166**	**408,525,633**	**867,007,596**	**7,301,373**	**1,617,066,870**
Net liquidity gap	**307,610,421**	**(66,533,692)**	**79,308,187**	**(451,133,434)**	**665,455,401**	**534,706,883**
Off-balance sheet items	63,716,888	72,723,893	301,538,119	13,361,678	-	451,340,578
Overall net position	**243,893,533**	**(139,257,585)**	**(222,229,932)**	**(464,495,112)**	**665,455,401**	**83,366,305**
At December 31, 2020						
Total assets	382,489,374	239,273,606	589,925,352	369,328,878	521,827,598	2,102,844,808
Total liabilities	82,188,171	343,358,423	699,330,869	561,723,719	-	1,686,601,182
Net liquidity gap	**300,301,203**	**(104,084,817)**	**(109,405,517)**	**(192,394,841)**	**521,827,598**	**416,243,626**
Off-balance sheet items	99,301,167	77,329,859	183,099,982	30,250,364	10,112,675	400,094,047
Overall net position	**201,000,036**	**(181,414,676)**	**(292,505,499)**	**(222,645,205)**	**511,714,923**	**16,149,579**

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;

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 ad-hoc stress testing, which includes applying possible stress events to specific positions or regions - for example the stress outcome to a region following currency peg break. The results of the stress tests are reviewed by senior management in each business unit. The stress test is tailored to the business and typically uses scenario analysis.

Foreign exchange risk

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

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

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

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

	Effect on profit (decrease)	
Currency	**2021 UShs '000**	**2020 UShs '000**
US Dollar	(29,291)	(144,516)
Euro	(10,612)	(1,278)
GBP	(4,085)	(1,563)
Others	(99,965)	(47,892)
Total	**(143,953)**	**(195,249)**

Currency risk

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

The significant currency positions are detailed below:

At December 31, 2021	EURO UShs '000	USD UShs '000	GBP UShs '000	Others UShs '000	Total UShs '000
Assets					
Cash and balances with Bank of Uganda	1,043,055	15,089,541	1,539,474	440,820	18,112,890
Due from group companies	1,426,016	3,265,569	2,367,890	1,146,126	8,205,601
Deposits and balances due from other financial institutions	-	266,522,270	7,188,000	-	273,710,270
Loans and advances to customers	-	647,019,038	-	-	647,019,038
Total assets	**2,469,071**	**931,896,418**	**11,095,364**	**1,586,946**	**947,047,799**
Liabilities					
Customer deposits	2,516,844	932,863,353	11,071,265	92,810	946,544,272
Other liabilities	-	9,849,606	-	-	9,849,606
Total liabilities	**2,516,844**	**942,712,959**	**11,071,265**	**92,810**	**956,393,878**
Net balance sheet position	**(47,773)**	**(10,816,541)**	**24,099**	**1,494,136**	**(9,346,079)**
Notional position	7,974,853	281,587,218	-	-	289,562,071
Overall position	(8,022,626)	(292,403,759)	24,099	1,494,136	(298,908,150)
At December 31, 2020					
Total assets	5,546,415	964,898,044	11,060,437	837,256	982,342,152
Total liabilities	5,546,415	966,209,485	11,060,437	837,256	983,653,593
Net balance sheet position	**-**	**(1,311,441)**	**-**	**-**	**(1,311,441)**
Notional position	(9,942,392)	(264,450,453)	-	(10,000)	(274,402,845)
Overall position	**(9,942,392)**	**(265,761,894)**	**-**	**(10,000)**	**(275,714,286)**

Exchange rates used for conversion of foreign items were:

	2021	2020
US Dollar	3,545	3,649
GBP	4,792	4,984
Euro	4,012	4,484
INR	48	50
KSh	31	33

Interest rate risk

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

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

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

At December 31, 2021	Up to 1 month UShs '000	1 to 3 months UShs '000	3 to 12 months UShs '000	1 to 5 years UShs '000	Over 5 years UShs '000	Total UShs '000
Assets						
Cash and balances with Bank of Uganda	43,068,490	13,296,101	13,107,130	-	-	69,471,721
Investment in government securities	6,406,249	50,431,320	268,032,376	149,071,522	240,244,510	714,185,977
Deposits and balances due from other financial institutions	125,570,608	35,482,003	88,850,280	-	-	249,902,891
Loans and advances to customers	44,470,256	80,467,050	117,844,040	266,802,640	432,512,264	942,096,250
Total assets	**219,515,603**	**179,676,474**	**487,833,826**	**415,874,162**	**672,756,774**	**1,975,656,839**
Liabilities						
Repurchase agreement and borrowed funds	9,065,722	-	-	-	-	9,065,722
Customer deposits	77,842,168	246,210,166	407,021,790	861,141,601	-	1,592,215,725
Other liabilities	-	-	1,503,843	5,865,995	7,301,373	14,671,211
Total liabilities	**86,907,890**	**246,210,166**	**408,525,633**	**867,007,596**	**7,301,373**	**1,615,952,658**
Interest sensitivity gap	**132,607,713**	**(66,533,692)**	**79,308,193**	**(451,133,434)**	**665,455,401**	**359,704,181**
At December 31, 2020						
Total assets	255,232,484	239,273,606	589,925,352	369,328,878	534,756,242	1,988,516,562
Total liabilities	70,652,455	343,358,423	618,209,630	560,579,180	-	1,592,799,688
Interest sensitivity gap	**184,580,029**	**104,084,817)**	**(28,284,278)**	**(191,250,302)**	**534,756,242**	**395,716,874**

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

Interest rate risk sensitivity

As at December 31, 2021, if interest rates had been 10% lower/higher with all other variables held constant, post-tax profit for the year would have been USh 9,182 million (2020: USh 7,836 million) lower/higher, arising mainly as a result of change in interest income and expense.

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

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

Notes to the Consolidated and Separate Financial Statements

Risk measurement and control

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

4. Operating segments

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

5. Interest income

	Group		Bank	
	2021 UShs '000	**2020 UShs '000**	**2021 UShs '000**	**2020 UShs '000**
Loans and advances	96,334,619	89,510,206	96,334,619	89,510,206
Treasury bonds	47,089,115	42,217,120	47,089,115	42,217,120
Treasury bills	34,358,905	25,855,864	34,358,905	25,855,864
Placements and repurchase agreements ("repos")	7,257,620	12,711,763	7,257,620	12,711,763
	185,040,259	**170,294,953**	**185,040,259**	**170,294,953**

6. Interest expense

	Group		Bank	
	2021 UShs '000	**2020 UShs '000**	**2021 UShs '000**	**2020 UShs '000**
Time deposits	49,122,631	54,451,307	49,122,631	54,465,502
Savings accounts	3,189,551	3,003,157	3,189,551	3,003,157
Interbank borrowings	230,742	361,827	230,742	361,827
Current and demand deposits	911,859	76,056	911,859	76,056
Interest on lease liabilities	413,458	439,538	413,458	439,538
	53,868,241	**58,331,885**	**53,868,241**	**58,346,080**

7. Non-interest income

	Group		Bank	
	2021 UShs '000	**2020 UShs '000**	**2021 UShs '000**	**2020 UShs '000**
Fees and commission income	16,602,634	16,805,671	16,602,634	16,790,509
Recoveries in bad debts written off	8,326,392	6,068,414	8,326,392	6,068,414
Realised foreign exchange differences	4,654,040	4,711,434	4,654,040	4,711,434
Unrealised foreign exchange differences	490,731	(226,380)	490,731	(226,380)
Profit on sale of investments	3,441,270	9,597,954	3,441,270	9,597,954
Other income	651,794	75,880	651,794	75,518
Gain on sale of property and equipment	1,201	600	1,201	600
	34,168,062	**37,033,573**	**34,168,062**	**37,018,049**

Notes to the Consolidated and Separate Financial Statements

8. Operating expenses

	Group		Bank	
	2021 USh s '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Employee costs (note 9)	22,822,378	14,122,110	22,822,378	14,122,110
Recycling of loss on disposal of investment at FVTOCI	12,858,004	7,472,590	12,858,004	7,472,590
Insurance	3,321,894	3,018,207	3,321,894	3,018,207
Depreciation, amortisation and impairments	2,845,366	2,907,387	2,845,366	2,907,185
Other expenses	1,955,571	2,672,798	1,955,571	2,600,637
Bad debts written off	1,867,316	205,024	1,867,316	205,024
Repairs and maintenance	1,468,956	980,027	1,468,956	980,027
Administration and service level agreement fees	1,229,012	2,238,131	1,229,012	2,238,131
Fee and commission expenses	1,161,680	720,702	1,161,680	718,273
Advertising	959,517	668,700	959,517	668,700
Rent, rates and utilities	929,304	816,512	929,304	816,512
Printing and stationery	758,579	868,763	758,579	868,763
Security	554,642	520,246	554,642	520,246
Travelling	455,132	186,572	455,132	186,572
Consulting and professional fees	358,449	267,668	358,449	265,515
Software expenses	323,606	203,446	323,606	203,446
Auditors remuneration	279,168	275,279	279,168	260,316
Entertainment	178,901	203,847	178,901	203,847
Telephone and fax	151,840	157,242	151,840	157,242
Fair value loss on investments measured at FVTPL	141,686	147,643	141,686	147,643
Subscriptions	121,694	139,248	121,694	139,248
Directors' emoluments	60,857	40,900	60,857	40,900
Donations	49,147	34,684	49,147	34,684
	54,852,699	**38,867,726**	**54,852,699**	**38,775,818**

9. Employee costs

	Group		Bank	
	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Salaries and wages	17,468,099	12,460,196	17,468,099	12,460,196
National social security fund contributions	933,348	634,480	933,348	634,480
Retirement benefits	3,496,694	201,127	3,496,694	201,127
Other allowances	924,237	826,307	924,237	826,307
	22,822,378	**14,122,110**	**22,822,378**	**14,122,110**

Notes to the Consolidated and Separate Financial Statements

10. Taxation

Major components of the tax expense	Group		Bank	
Current	**2021 UShs '000**	**2020 UShs '000**	**2021 UShs '000**	**2020 UShs '000**
Local income tax - current period	13,494,157	11,840,052	13,494,157	11,840,052
Withholding tax ("WHT") on investment income	14,801,910	11,471,677	14,801,910	11,471,677
	28,296,067	**23,311,729**	**28,296,067**	**23,311,729**
Deferred				
Originating and reversing temporary differences	(798,327)	900,950	(798,327)	920,987
Arising from prior period adjustments	-	11,397	-	-
	(798,327)	**912,347**	**(798,327)**	**920,987**
	27,497,740	**24,224,076**	**27,497,740**	**24,232,716**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	117,729,456	107,541,521	117,729,456	107,603,710
Tax at the applicable tax rate of 30% (2020: 30%)	35,318,837	32,262,456	35,318,837	32,281,113
Tax effect of adjustments on taxable income				
Final tax (WHT) on investment income*	14,801,910	11,471,677	14,801,910	11,471,677
Tax on income subject to final WHT**	(24,434,406)	(20,915,823)	(24,434,406)	(20,915,823)
Arising from prior period adjustments	-	11,397	-	-
Non-deductible expenses	1,811,399	1,394,369	1,811,399	1,395,749
	27,497,740	**24,224,076**	**27,497,740**	**24,232,716**

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

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

Notes to the Consolidated and Separate Financial Statements

11. Discontinued operations or disposal groups

Subsequent to year-end, the group decided to cease and liquidate the business of Baroda Capital Markets (Uganda) Limited ("the Subsidiary") due to poor performance on year on year basis. Management is committed to dispose of the assets and liabilities of the Subsidiary.

Results of discontinued operations	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Revenue	91,556	-	-	-
Expenses	(254,744)	-	-	-
Net loss before tax	(163,188)	-	-	-
Taxation	(19,744)	-	-	-
Net loss after tax	(182,932)	-	-	-
Gains on measurement to fair value less cost to sell (net of tax)	-	-	-	-
Loss from discontinued operations	**(182,932)**	**-**	**-**	**-**
Assets and liabilities of disposal groups				
Assets of disposal groups				
Investment in subsidiary	-	-	40,000	-
Trade and other receivables	31,142	-	-	-
Cash at bank	645,285	-	-	-
	676,427		**40,000**	**-**
Liabilities of disposal groups				
Trade and other payables	15,839	-	-	-
Due to holding company	231,450	-	-	-
	247,289	**-**	**-**	**-**

12. Cash and balances with Bank of Uganda

Cash in hand	17,757,537	16,589,541	17,757,537	16,589,541
Balances with Bank of Uganda	192,815,242	110,696,479	192,815,242	110,667,349
	210,572,779	**127,286,020**	**210,572,779**	**127,256,890**

Balances with Bank of Uganda include the mandatory deposits which are advised fortnightly by the Central Bank based on the deposit balances held for the past two weeks. The amount advised includes cash and balances held with Bank of Uganda and this amount not available to finance the day to day activities of the Group. Balances in excess of the advised amount is however available to finance the Group's investment activities. As at December 31, 2021, the mandatory deposits were 8% of total deposits (2020: 8% of total deposits).

Repurchase agreements (repo) are borrowings/lending between the Group and Bank of Uganda for a period of less than one year at market interest rates. As at reporting date, the accrued interest receivable on the repurchase agreement with Bank of Uganda amounted to USh 208 million (2020: USh Nil) and this has been included together with principal balance advanced.

13. Investment in government securities

	Group		Bank	
Fair value through profit or loss	**2021 UShs '000**	**2020 UShs '000**	**2021 UShs '000**	**2020 UShs '000**
Treasury bills	16,994,043	41,705,257	16,994,043	41,705,257
Fair value through other comprehensive income				
Treasury bills	240,420,668	330,543,700	240,420,668	330,543,700
Treasury bonds	315,547,773	235,655,743	315,547,773	235,655,743
	555,968,441	**566,199,443**	**555,968,441**	**566,199,443**
Amortised cost				
Treasury bonds	141,223,493	103,093,167	141,223,493	103,093,167
	714,185,977	**710,997,867**	**714,185,977**	**710,997,867**

Movement in investment in government securities

Reconciliation of fair value through OCI - Group and Bank - 2021

	Opening balance	Movement in fair valuation	Net addition / (deduction)	Interest receivable	Closing balance
Investment in government securities	566,199,443	16,831,331	(37,882,686)	10,820,353	555,968,441

Reconciliation of fair value through OCI - Group and Bank - 2020

	Opening balance	Movement in fair valuation	Net addition / (deduction)	Interest receivable	Closing balance
Investment in government securities	520,251,915	(7,992,153)	44,365,726	9,573,955	566,199,443

The weighted average effective interest rate on treasury bonds as at December 31, 2021 was 14.52% and on treasury bills 9.96% (2020: treasury bonds 15.06% and treasury bills 12.23%).

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

As at the reporting date the Group pledged treasury bills of 91 days to UShs 3,954 million (2020: UShs 3,270 million) with Bank of Uganda.

14. Due from group companies

	Group		Bank	
	2021 UShs '000	**2020 UShs '000**	**2021 UShs '000**	**2020 UShs '000**
Bank of Baroda, London - GBP	2,367,890	3,999,194	2,367,890	3,999,194
Bank of Baroda, Nairobi - KSh	159,374	253,618	159,374	253,618
Bank of Baroda, Mumbai - INR	986,752	256,225	986,752	256,225
Bank of Baroda, Brussels - Euro	1,426,016	3,747,850	1,426,016	3,747,850
Bank of Baroda, New York - US Dollar	3,265,569	2,679,480	3,265,569	2,679,480
	8,205,601	**10,936,367**	**8,205,601**	**10,936,367**

15. Deposit and balances due from other financial institutions

Due from banking institutions in Uganda	129,449,633	183,778,735	129,449,633	183,778,735
Due from other financial institutions outside Uganda	147,263,513	209,375,277	147,263,513	209,375,277
	276,713,146	**393,154,012**	**276,713,146**	**393,154,012**

Notes to the Consolidated and Separate Financial Statements

16. Loans and advances to customers

	Group		Bank	
	2021 USh '000	2020 USh '000	2021 USh '000	2020 USh '000
Overdrafts	410,233,281	414,771,613	410,233,281	414,771,613
Term loans	543,359,160	432,155,959	543,359,160	432,155,959
	953,592,441	846,927,572	953,592,441	846,927,572
Less: Impairment allowance	(11,467,358)	(12,283,140)	(11,467,358)	(12,283,140)
Less: Modification loss on restructures	-	(645,504)	-	(645,504)
Less: Interest in suspense	(28,833)	(462,438)	(28,833)	(462,438)
	942,096,250	**833,536,490**	**942,096,250**	**833,536,490**
Reconciliation of impairment allowance for loans and advances				
Opening balance	12,283,140	8,150,077	12,283,140	8,150,077
Impairment allowance	1,051,534	4,338,087	1,051,534	4,338,087
Amounts written off as uncollectable	(1,867,316)	(205,024)	(1,867,316)	(205,024)
	11,467,358	**12,283,140**	**11,467,358**	**12,283,140**

All impaired loans have been written down to their estimated recoverable amount. The aggregate carrying amount of impaired loans at December 31, 2021 was UShs 39,655 million (2020: UShs 11,725 million) on which provision of UShs 5,731 million (2020: UShs 2,317 million).

Advances to customers include loans to employees of UShs 2,151 million (2020: UShs 1,972 million). The weighted average effective interest rate on local currency loans and advances to customers as at December 31, 2021 was 17.70% (2020:18.06%) and 7.96% (2020: 8.38%) for foreign currency loans and advances.

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

	Loans and advances				Off balance sheet	
December 31, 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Total**
At start of the year	7,875,174	2,090,770	2,317,196	12,283,140	6,762,215	19,045,355
(Credit) / charge to profit and loss	(3,150,724)	(1,078,481)	3,413,423	(815,782)	(6,426,293)	(7,242,075)
At the end of year	**4,724,450**	**1,012,289**	**5,730,619**	**11,467,358**	**335,922**	**11,803,280**
December 31, 2020						
At start of the year	7,324,682	149,253	676,142	8,150,077	8,307,884	16,457,961
Charge I (credit) to profit and loss	550,492	1,941,517	1,641,054	4,133,063	(1,545,669)	2,587,394
At the end of year	**7,875,174**	**2,090,770**	**2,317,196**	**12,283,140**	**6,762,215**	**19,045,355**

17. Other assets

Other receivables	4,691,050	3,897,605	4,691,050	3,893,132

Other assets mainly relate to interest accrued but not due on advances.

18. Tax paid

Balance at beginning of the year	1,331,750	822,637	1,306,247	806,301
Current tax for the year recognised in profit or loss	(28,296,067)	(23,311,729)	(28,296,067)	(23,311,729)
Balance at end of the year	(2,946,614)	(1,331,750)	(2,946,614)	(1,306,247)
	(29,910,931)	**(23,820,842)**	**(29,936,434)**	**(23,811,675)**

19. Investment in subsidiary

	Group		Bank	
	2021 USh s '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Name of company	% voting power	% voting power	Carrying amount 2021	Carrying power 2020
Baroda Capital Markets (Uganda) Limited	100.00%	100.00%	-	40,000

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

The Group owns 100% equity shares (2020: 100% equity shares) of Baroda Capital Markets (Uganda) Limited. The Group has the power to appoint and remove the majority of the Board of Directors of the subsidiary. The relevant activities of the subsidiary are determined by the Board of Directors of the subsidiary based on simple majority votes. The Directors of the Group have thus concluded that the Group has control over the subsidiary and therefore, it has been consolidated in these financial statements.

The Group has decided to cease the business of the Subsidiary and accordingly, the investment in subsidiary is classified as assets of disposal group.

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

Group	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Freehold land	8,700,000	-	8,700,000	8,700,000	-	8,700,000
Buildings	13,067,409	(8,901,969)	4,165,440	13,067,409	(8,454,577)	4,612,832
Furniture and fixtures	8,196,127	(5,580,589)	2,615,538	7,432,990	(5,289,831)	2,143,159
Motor vehicles	1,194,430	(1,063,314)	131,116	1,194,430	(1,029,008)	165,422
IT equipment	5,799,301	(3,827,702)	1,971,599	6,452,312	(4,832,066)	1,620,246
Right-of-use assets	15,076,867	(3,607,946)	11,468,921	14,061,947	(2,390,382)	11,671,565
Total	52,034,134	(22,981,520)	29,052,614	50,909,088	(21,995,864)	28,913,224

Bank	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Freehold land	8,700,000	-	8,700,000	8,700,000	-	8,700,000
Buildings	13,067,409	(8,901,969)	4,165,440	13,067,409	(8,454,577)	4,612,832
Furniture and fixtures	8,190,691	(5,575,153)	2,615,538	7,426,287	(5,284,408)	2,141,879
Motor vehicles	1,194,430	(1,063,314)	131,116	1,194,430	(1,029,008)	165,422
IT equipment	5,794,986	(3,823,387)	1,971,599	6,447,978	(4,827,770)	1,620,208
Right-of-use assets	15,076,867	(3,607,946)	11,468,921	14,061,947	(2,390,382)	11,671,565
Total	**52,024,383**	**(22,971,769)**	**29,052,614**	**50,898,051**	**(21,986,145)**	**28,911,906**

Reconciliation of property, equipment and right-of-use assets - Group - 2021

	Opening balance	Additions	Discontinued operations	Lease modification	Depreciation	Closing balance
Freehold land	8,700,000	-	-	-	-	8,700,000
Buildings	4,612,832	-	-	-	(447,392)	4,165,440
Furniture and fixtures	2,143,159	764,404	(1,280)	-	(290,745)	2,615,538
Motor vehicles	165,422	-	-	-	(34,306)	131,116
IT equipment	1,620,246	1,028,630	(39)	-	(677,238)	1,971,599
Right-of-use assets	11,671,565	2,577,673	-	(1,463,925)	(1,316,392)	11,468,921
	28,913,224	**4,370,707**	**(1,319)**	**(1,463,925)**	**(2,766,073)**	**29,052,614**

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

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

Reconciliation of property, equipment and right-of-use assets - Bank - 2021

	Opening balance	Additions	Lease modification	Depreciation	Closing balance
Freehold land	8,700,000	-	-	-	8,700,000
Buildings	4,612,832	-	-	(447,392)	4,165,440
Furniture and fixtures	2,141,879	764,404	-	(290,745)	2,615,538
Motor vehicles	165,422	-	-	(34,306)	131,116
IT equipment	1,620,208	1,028,629	-	(677,238)	1,971,599
Right-of-use assets	11,671,565	2,577,673	(1,463,925)	(1,316,392)	11,468,921
	28,911,906	**4,370,706**	**(1,463,925)**	**(2,766,073)**	**29,052,614**

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

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

Notes to the Consolidated and Separate Financial Statements

Revaluations

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

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

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

	Group		Bank	
	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Land and buildings	1,222,957	1,492,177	1,222,957	1,492,177

21. Intangible assets

Group	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	534,750	(400,715)	134,035	497,466	(321,422)	176,044

Bank	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	534,750	(400,715)	134,035	497,466	(321,422)	176,044

Reconciliation of intangible assets - Group - 2021

	Opening balance	Additions	Amortisation	Closing balance
Computer software	176,044	37,284	(79,293)	134,035

Reconciliation of intangible assets - Group - 2020

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

Reconciliation of intangible assets - Bank - 2021

	Opening balance	Additions	Amortisation	Closing balance
Computer software	176,044	37,284	(79,293)	134,035

Reconciliation of intangible assets - Bank - 2020

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

Notes to the Consolidated and Separate Financial Statements

22. Deferred tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2020: 30%). The movement on the deferred income tax account is as follows:

	Group		Bank	
	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Deferred tax asset	(2,072,389)	2,198,427	(2,072,389)	2,178,683
Reconciliation of deferred tax asset				
At beginning of year	2,198,427	2,761,653	2,178,683	2,757,160
Provisions	(343,363)	(37,267)	(343,363)	(37,267)
Leases	77,012	146,746	77,012	146,746
Derecognised deferred tax asset	(19,744)	-	-	-
Property and equipment	(49,882)	(55,649)	(49,882)	(55,676)
Fair value through other comprehensive income	(5,049,399)	162,480	(5,049,399)	155,869
Fair value through profit or loss	42,506	(44,293)	42,506	(44,293)
Tax losses carried forward	-	20,010	-	-
Impairment allowance	1,041,963	(896,175)	1,041,963	(896,175)
Unrealised foreign exchange differences	(147,219)	(34,323)	(147,219)	(34,323)
Revaluation reserve	177,310	186,642	177,310	186,642
Prior period adjustments	-	(11,397)	-	-
	(2,072,389)	**2,198,427**	**(2,072,389)**	**2,178,683**

23. Share capital

Authorised				
2,500,000,000 Ordinary shares of USh 10 each	25,000,000	25,000,000	25,000,000	25,000,000
Issued and paid up				
Ordinary shares	25,000,000	25,000,000	25,000,000	25,000,000

24. Regulatory credit risk reserve

Opening balance	7,136,650	4,766,591	7,136,650	4,766,591
Movement	(7,136,650)	2,370,059	(7,136,650)	2,370,059
Closing balance	**-**	**7,136,650**	**-**	**7,136,650**
Provision as per FI Act 2004 and as amended				
Specific provision	350,516	11,065,797	350,516	11,065,797
General provision	9,532,131	8,353,993	9,532,131	8,353,993
	9,882,647	19,419,790	9,882,647	19,419,790
Impairment allowance under IFRS 9	11,467,358	12,283,140	11,467,358	12,283,140
Regulatory credit risk reserve	**-**	**7,136,650**	**-**	**7,136,650**

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

Notes to the Consolidated and Separate Financial Statements

25. Customer deposits

	Group		Bank	
	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Current and demand accounts	268,498,394	258,292,886	268,498,396	258,595,838
Savings accounts	284,792,027	267,633,553	284,792,027	267,633,553
Time deposits	1,038,925,303	1,046,404,694	1,038,925,303	1,046,738,785
	1,592,215,724	**1,572,331,133**	**1,592,215,726**	**1,572,968,176**

26. Repurchase agreement and borrowed funds

	Group		Bank	
	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Bank of Uganda - Agriculture Credit Facility	9,065,722	9,829,593	9,065,722	9,829,593
Bank of Uganda - a reverse repo	-	10,001,918	-	10,001,918
	9,065,722	**19,831,511**	**9,065,722**	**19,831,511**

The Government of Uganda through Bank of Uganda set up an Agricultural Credit Facility scheme for the purpose of supporting agricultural expansion and modernization in partnership with commercial banks. All eligible bank customers receive 50% financing from the Government of Uganda while the remaining 50% is provided by the Group.

27. Other liabilities

	Group		Bank	
	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Dividends payable	669,490	25,564,981	669,490	25,564,981
Bills payable	335,509	284,942	335,509	284,942
Uncleared effects	109,213	85,453	109,213	85,453
Impairment allowance on off-balance sheet (note 15)	335,922	6,762,215	335,922	6,762,215
Lease liabilities (note 34)	11,550,319	11,704,101	11,550,319	11,704,101
Other payables	17,982,927	21,840,727	17,982,927	21,754,519
	30,983,380	**66,242,419**	**30,983,380**	**66,156,211**

28. Retirement benefit obligation

Opening balance	1,144,539	1,268,764	1,144,539	1,268,764
Changes during the year	(1,144,539)	(124,225)	(1,144,539)	(124,225)
	-	**1,144,539**	**-**	**1,144,539**

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

During the year, the Directors resolved to terminate the Group's existing gratuity scheme and pay the existing employees the amount of gratuity accrued as per existing gratuity scheme irrespective of their eligibility criteria. This was due to the fact that the existing gratuity scheme was not registered with Uganda Retirement Benefits

Regulatory Authority (URBRA) and ii was not possible to register the scheme in it's present shape. However, the Directors are in process of evaluating different retirement benefit scheme that are compliant with URBRA Act, 2011.

29. Analysis of cash and cash equivalents

	Group		Bank	
	2021 USh ‘000	2020 UShs ‘000	2021 UShs ‘000	2020 UShs ‘000
Cash and balances with Bank of Uganda (note 12)	210,572,779	127,286,020	210,572,779	127,256,890
Cash reserve requirement	(122,620,000)	(119,650,000)	(122,620,000)	(119,650,000)
Government securities maturing within 90 days of the date of acquisition	270,448,935	395,466,047	270,448,935	395,466,047
Amounts due from overseas branches of parent company	8,205,601	10,936,367	8,205,601	10,936,367
Deposits and balances due from other financial institutions (note 15)	276,713,146	393,154,012	276,713,146	393,154,012
	643,320,461	**807,192,446**	**643,320,461**	**807,163,316**

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

	Group		Bank	
	2021 UShs ‘000	2020 UShs ‘000	2021 UShs ‘000	2020 UShs ‘000
Contingent liabilities				
Acceptances and letters of credit	80,822,768	99,302,342	80,822,768	99,302,342
Guarantees	28,267,243	37,339,318	28,267,243	37,339,318
Performance bonds	19,799,872	12,144,532	19,799,872	12,144,532
Contingents secured by cash collateral	27,648,344	34,659,932	27,648,344	34,659,932
	156,538,227	**183,446,124**	**156,538,227**	**183,446,124**
Commitments				
Undrawn formal stand-by facilities, credit lines and other commitments to lend	294,802,291	216,647,923	294,802,291	216,647,923
	451,340,518	**400,094,047**	**451,340,518**	**400,094,047**

Refer to note 27 for impairment allowance on off-balance sheet financial instruments, contingent liabilities and commitments.

Nature of contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as off balance sheet transactions and disclosed in contingent liabilities.

Contingent liabilities are secured by both cash and property collaterals.

Nature of commitments

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

31. Related parties Relationships

Relationships

Holding company	Bank of Baroda, India
Subsidiary	Baroda Capital Markets (Uganda) Limited
Affiliates	Bank of Baroda, London Bank of Baroda, Kenya Bank of Baroda, Brussels Bank of Baroda, New York Bank of Baroda Tanzania Limited Bank of Baroda IFSC
Board Members	Vastina Rukimirana Nsanze Raj Kumar Meena Manoj Kumar Bakshi (up to March 24, 2021) Prithvi Singh Bhati (from March 25, 2021) Shanti Lal Jain (up to August 31, 2021) Mudumba Krishnama Chary (up to July 31, 2021) Sempijja Thadeus Fred Kakongoro Muhumuza Odoch Charles Langoya

	Group		Bank	
	2021 USh '000	2020 USh '000	2021 USh '000	2020 USh '000
Related party transactions				
Interest paid to related parties				
Baroda Capital Markets (Uganda) Limited	-	-	21,669	14,195
Rent received from related parties				
Baroda Capital Markets (Uganda) Limited	-	-	(11,000)	-
Administration fees paid to related parties				
Bank of Baroda, India	1,229,012	2,238,131	1,229,012	2,238,131
Key management compensation				
Non-Executive Directors	60,857	40,900	60,857	40,900
Executive Directors	481,918	390,933	481,918	390,933
Related party balances				
Due from group companies				
Bank of Baroda, India (BBB-)	986,752	256,225	986,752	256,225
Bank of Baroda, London (Unrated)	2,367,890	3,999,194	2,367,890	3,999,194
Bank of Baroda (Kenya) Limited, Kenya (Unrated)	159,374	253,618	159,374	253,618
Bank of Baroda, Brussels (BBB-)	1,426,016	3,747,850	1,426,016	3,747,850
Bank of Baroda, New York (BBB-)	3,265,569	2,679,480	3,265,569	2,679,480
Placements with group companies				
Bank of Baroda, India (BBB-)	-	36,494,257	-	36,494,257
Bank of Baroda, London (Unrated)	42,638,197	65,684,092	42,638,197	65,684,092
Bank of Baroda, Brussels (BBB-)	-	54,740,474	-	54,740,474
Bank of Baroda Tanzania Limited (Unrated)	17,834,083	18,421,444	17,834,083	18,421,444
Bank of Baroda IFSC (BBB-)	35,482,003	18,277,942	35,482,003	18,277,942
Bank of Baroda, New York (BBB-)	37,222,521	14,596,000	37,222,521	14,596,000
Bank of Baroda (Kenya) Limited, Kenya (Unrated)	10,635,118	-	10,635,118	-
Customer deposits				
Baroda Capital Markets (Uganda) Limited	-	-	--	334,091
Other assets				
Baroda Capital Markets (Uganda) Limited	-	-	231,450	182,344

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 less shares of the Bank by its subsidiary, Baroda Capital Markets (Uganda) Limited.

	Group		Bank	
	2021 USh '000	2020 USh '000	2021 USh '000	2020 USh '000
Profit attributable to equity holders - continuing operations	90,231,716	83,317,445	90,231,716	83,370,994
Profit attributable to equity holders - continuing and discontinued operations	90,048,784	83,317,445	90,231,716	83,370,994
Weighted average number of ordinary shares in issue	2,500,000	2,384,226	2,500,000	2,384,226
Basic and diluted earnings per share (UShs) - continuing operations	**36.09**	**34.95**	**36.09**	**34.97**
Basic and diluted earnings per share (UShs) - continuing and discontinued operations	**36.02**	**34.95**	**36.09**	**34.97**

33. Commitments

Authorised capital expenditure	Group		Bank	
	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
• Property and equipment	-	8,609,000	-	8,609,000

34. Lease liabilities

The Group leases various branches and other premises under lease arrangements to meet its operational business requirements. Currently, the Group does not have any material subleasing arrangements.

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

	Group		Bank	
	2021 UShs '000	2020 UShs '000	2021 UShs '000	2020 UShs '000
Minimum lease payments due				
- within one year	1,503,843	1,439,334	1,503,843	1,439,334
- in second to fifth year inclusive	5,865,995	5,721,627	5,865,995	5,721,627
- later than five years	7,301,373	7,824,087	7,301,373	7,824,087
	14,671,211	14,985,048	14,671,211	14,985,048
Less: future finance charges	(3,120,891)	(3,280,947}	(3,120,891)	(3,280,947)
Present value of minimum lease payments	**11,550,320**	**11,704,101**	**11,550,320**	**11,704,101**
Present value of minimum lease payments due				
- within one year	1,070,676	1,050,166	1,070,676	1,050,166
- in second to fifth year inclusive	4,492,877	4,212,416	4,492,877	4,212,416
- later than five years	5,986,767	6,441,519	5,986,767	6,441,519
	11,550,320	**11,704,101**	**11,550,320**	**11,704,101**
Movement in lease liabilities				
At the start of the year	11,704,101	9,562,638	11,704,101	9,562,638
Additions / renewals	2,577,673	3,393,890	2,577,673	3,393,890
Accrual of interest expense	413,458	439,538	413,458	439,538
Lease payments during the year	(1,559,674)	(1,577,555)	(1,559,674)	(1,577,555)
Lease modification	(1,352,026)		(1,352,026)	
Foreign exchange differences	(233,212)	(114,410)	(233,212)	(114,410)
	11,550,320	**11,704,101**	**11,550,320**	**11,704,101**

35. Events after the reporting period

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

36. Implications of COVID-19

In 2021, COVID-19 pandemic continued to impact the Bank directly or indirectly, with government easing various restrictions. The Bank is well-positioned to support it's customers as the economy recovers but will continue to remain vigilant to the continued impact of COVID-19 including vaccination progress and the likelihood of uneven economic recovery across markets and industries.

The Board continues to play a key role in steering the Banks's COVID-19 response and receiving regular updates at scheduled Board meetings. The Board's focus remains to protect stakeholder interests, including employees' wellbeing, shareholder rights, customer and client needs, as well as support for the community.

Management have made re-assessment about the recoverability and carrying value of its assets comprising of property, equipment and right-of-use-assets, loans and advances to customers, investments in government securities and placements as at reporting date and has concluded that there are no material adjustments required in the financial statements.

Management has taken into account the possible impact of events that could arise due to COVID-19 pandemic, in the preparation of this financial statements including the entity's ability to continue as going concern. The Directors will continue to monitor all material changes to the bank's internal and external environment and the carrying value of its assets and liabilities.

37. Comparative figures

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

NOTICE IS HEREBY GIVEN that the 52nd Annual General Meeting (AGM) of Bank of Baroda (Uganda) Limited ("the Company") for the year ended December 31st, 2021 will be held at 11:00 a.m. on Friday 22nd day of July 2022 online through an electronic platform to transact the following business:-

AGENDA

ORDINARY RESOLUTION

1. CONFIRMATION OF THE MINUTES OF THE 51st ANNUAL GENERAL MEETING

To consider and if deemed fit, confirm the minutes of the 51st Annual General Meeting of the Company held on Thursday, August 26, 2021 online through electronic platform.

2. FINANCIAL STATEMENTS

To consider, and if deemed fit, receive the separate and consolidated financial statement for the year ended December 31, 2021, report of the Board of Directors on the state of affairs of the Bank, together with the Auditors' report thereon.

3. DIVIDEND

To consider and if deemed fit to approve the dividend payout proposed by the Board of Directors at the rate of Uganda Shillings 10.00 per share for the Financial Year 2021.

4. DIRECTORS

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

a) Appointment of Mr. Sanjay Vinayak Mudaliar as a Non-Executive Director on the Board of Bank of Baroda (Uganda) Limited w.e.f. 18th February 2022 vice Dr. Mudumba Krishnama Chary who resigned from Board effective the 31st July 2021.

b) Re-appointment of Mr. Sempijja Thadeus as a Non-Executive Director of the Bank w.e.f. 16th March 2021.

c) Re-appointment of Mrs. Vastina Rukimirana Nsanze as a Non- Executive Director of the Bank w.e.f. 04th May 2021.

d) Re-appointment of Dr. Fred Kakongoro Muhumuza as a Non- Executive Director of the Bank w.e.f. 22nd November 2021.

e) Re-Appointment of Mr. Odoch Charles Langoya as a Non-Executive Director of the Bank w.e.f. 08th January 2022.

5. AUDITORS.

To consider and if deemed fit, approve the reappointment of M/s. Grant Thornton, Certified Public Accountants as the Statutory Auditors of the Company for the period ending December 31, 2022 and their remuneration approved 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,

Ms. Anne Tumwesigye Mbonye
Company Secretary

Place: Kampala
Date: 21.06.2022

NOTES:

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

Virtual Meeting

1. As authorized by our Articles of Association, the Company will be holding the Annual General Meeting (AGM) online.
2. To participate in the AGM, shareholders should register by following the steps below.
   a) Shareholders with email addresses will receive details on how to register and log into the online meeting or
   b) For those who wish to use the USSD, dial ***272*101#** (Uganda mobile networks) and follow the prompts, or
   c) Send an email request to be registered to **registry@use.or.ug**
3. Shareholders without emails in the shareholder register will be contacted via SMS on their registered mobile phone numbers and will be requested to avail their email addresses to the Company's shares registrar SCD Registrars at **registry@use.or.ug**
4. The Company's audited financial statements, annual report, AGM notice, Minutes of the 51st Annual General Meeting of the Bank and proxy form are uploaded on the Company's website **www.bankofbaroda.ug**
5. `To participate in the virtual AGM, shareholders are advised that;
   a) Registration commences on **1st July 2022** and will close on **13th July 2022**
   b) For support during the registration process, please call +256312370817/18 or email **registry@use.or.ug**
   c) A shareholder will be required to submit a valid ID such as a National Identity Card or a Passport and/or their SCD account details to facilitate shareholder verification in the process of appointing a proxy.
6. The AGM will be streamed live via a link that will be provided to all shareholders who will have successfully registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers 24 hours prior to the AGM, a reminder of the AGM and a link to the live stream. A second SMS/USSD prompt shall be sent one hour ahead of the AGM. In registering to attend the AGM, a shareholder consents to receive all messages pertaining to the AGM.
7. Duly registered shareholders and proxies may vote (when prompted) using the live stream link or using the USSD prompts. Voting shall be done electronically using the **Resolutions** tab on the live stream link or via USSD.

Shareholders' rights

8. Bank of Baroda (Uganda) Limited shareholders may attend, speak, and vote at the AGM or appoint proxies (who need not be shareholders of the Company) to attend, speak and vote on behalf of such shareholders. Duly completed proxy forms should be returned to the Company Secretary at Bank of Baroda Head Office Plot 18, Kampala Road or sent via email to registry@use.or.ug not later than 5.00 pm on July 22, 2022. In default of this, the proxy appointment shall be treated as invalid.
9. Shareholders and their proxies have the option of asking questions and voting on each of the resolutions in advance of the meeting. Questions and votes on the AGM resolutions can be submitted to **registry@use.or.ug** before close of business on July 22, 2022.

Dividend Information

10. Due to uncertainties in the world and domestic economies caused by the Covid-19 pandemic, Bank of Uganda (BOU) had directed all Supervised Financial Institutions to defer the payment of all discretionary payments including dividends until further notice or until explicit authorization was given by Bank of Uganda. In May 2022 the Company wrote to BOU seeking authorization for payment of dividends. Bank of Uganda vide letter dated June 17, 2022 approved the payment of Dividend for the Financial year ended 31 December 2020 and 31 December 2021 subject to staggering the payments over three months period effective July 2022.

The dividend for the Financial Year 2021 will be paid latest by 21st November 2022 to shareholders on the register at the close of business on 07th November 2022 at the rate of Uganda Shillings 10.00 per share.

11. Shareholders who have not received past dividends should send an email to **registry@use.or.ug** or call **+256-312370815/17.**

Securities Central Depository (SCD) Accounts

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

CONTACT DETAILS

13. Company's Registered Office

Bank of Baroda (Uganda) Limited
Head Office
Plot 18 Kampala Road
P.O. Box 7197
Kampala, Uganda.
Tel: +256-414-232783

14. Share Registrar's Office

SCD Registrars
UAP Nakawa Business Park
Plot 3-5, New Portbell Road
Block A, 4th Floor,
P.O. Box 23552
Kampala, Uganda
Tel: +256-312-370-815/7/8

PROXY FORM

Bank of Baroda (Uganda) Limited

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 52nd Annual General Meeting of the Company, to be held on the 22nd July 2022 and at every adjournment thereof

As witness my / out hand(s) this..day of..2022

Share Certificate No...

....

Signature (s)

The Shareholder or his / her proxy must produce this admission form in order to obtain admission to the 52nd 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..

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

Bank of Baroda (Uganda) Limited

Banking with passion

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+256 414 233680 | +256 414 345196 | +256 414 230781
www.bankofbaroda.ug