Bank of Baroda (Uganda) Limited

Annual report and consolidated and separate financial statements
for the year ended December 31, 2022

Index

Corporate Information

Nature of business and principal activities	Commercial banking services	
Directors	Vastina Rukimirana Nsanze	Chairperson
	Shashi Dhar (from March 16, 2023)	Managing Director
	Raj Kumar Meena (up to March 15, 2023)	Managing Director
	Prithvi Singh Bhati	Executive Director
	Debadatta Chand (from September 13, 2022)	Non-Executive Director
	Sanjay Vinayak Mudaliar (up to December 31, 2022)	Non-Executive Director
	Sempijja Thadeus	Non-Executive Director
	Fred Kakongoro Muhumuza	Non-Executive Director
	Odoch Charles Langoya	Non-Executive Director
Chief Officers / Executives	Raj Kumar Meena	Managing Director
	Prithvi Singh Bhati	Executive Director
	Nabakka Saidah	Financial Controller
	Subhapratik Pradhan	In-charge, Information Techonlogy
	Mbaziira Francis	Head Compliance
	Vikash Sharma	In-charge, Treasury
	Kigenyi Saadi Kifaana	Head Internal Audit
	Kyomukama Jacqueline	Head Risk Management
	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	Sempijja Thadeus	Chairperson
	Sanjay Vinayak Mudaliar (up to December 31, 2022)	Non-Executive Director
	Raj Kumar Meena	Managing Director
	Prithvi Singh Bhati	Executive Director
Board Audit Committee	Fred Kakongoro Muhumuza	Chairperson
	Odoch Charles Langoya	Non-Executive Director
	Sempijja Thadeus	Non-Executive Director
Board Risk Management Committee	Odoch Charles Langoya	Chairperson
	Raj Kumar Meena	Managing Director
	Sanjay Vinayak Mudaliar (up to December 31, 2022)	Non-Executive Director
Board Asset and Liabilities Committee	Odoch Charles Langoya	Chairperson
	Raj Kumar Meena	Managing Director
	Fred Kakongoro Muhumuza	Non-Executive Director
Board Human Resource and Compensation Committee	Sempijja Thadeus	Chairperson
	Prithvi Singh Bhati	Executive Director
	Fred Kakongoro Muhumuza	Non-Executive Director

Corporate Information

Registered Office	Plot 18, Kampala Road, PO Box 7197 Kampala, Uganda
Company Secretary	Anne Tumwesigye Mbonye PO Box 7197 Kampala, Uganda
Independent Auditor	Grant Thornton Certified Public Accountants PO Box 7158 Kampala, Uganda
Principal Legal Advisor	H & G Advocates PO Box 7026 Kampala, Uganda
Principal Correspondent Banks	Bank of Baroda, Mumbai Main Office, Vostro A/c Cell, 2nd Floor, Mumbai Samachar Marg, Mumbai - 400023 Standard Chartered Bank, 3, Madison Avenue # 1, New York, United States of America
Parent Bank	Bank of Baroda Baroda Corporate Center C26, G-Block, Bandra - Kurla Complex Bandra East, Mumbai - 400 051 incorporated in India
Subsidiary	Baroda Capital Markets (Uganda) Limited PO Box 7197 Kampala, Uganda
Tax indentification number	1000025701

Corporate Information

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
PO Box 7266
Kampala, Uganda

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

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

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

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

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

Mbale
3, Pallisa Road
PO Box 971
Mbale, Uganda

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

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

Mbarara
11 Masaka Road
PO Box 1517
Mbarara, Uganda

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

Kololo
Plot -31, Kira Road
Kampala, Uganda

Lugazi
Plot 101/102, Lugazi
PO Box 113
Lugazi, Uganda

Corporate Governance Statement

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

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

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

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

Code and regulations

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

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

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

Board of Directors

Board charter and work plan

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

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

Board composition and appointments

The Board currently consists of:

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

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.

Corporate Governance Statement

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 2022 is detailed below:

Name of Director	Q1	Q2	Q3	Q4
Vastina Rukimirana Nsanze	A	A	A	A
Raj Kumar Meena	A	A	A	A
Sanjay Vinayak Mudaliar	N/M	A	A	A
Prithvi Singh Bhati	A	A	A	A
Sempijja Thadeus	A	A	A	A
Debadatta Chanda	N/M	N/M	N/M	A
Fred Kakongoro Muhumuza	A	A	A	A
Odoch Charles Langoya	A	A	A	A

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.

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

Corporate Governance Statement

- Board Human Resources and Compensation Committee

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

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

Board Audit Committee

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

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

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

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

Name of Director	Q1	Q2	Q3	Q4
Fred Kakongoro Muhumuza	A	A	A	A
Odoch Charles Langoya	A	A	A	A
Sempiija Thadeus	N/M	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 Credit Management 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
Sempiija Thadeus	A	A	A	A
Raj Kumar Meena	A	A	A	A
Prithvi Singh Bhati	A	A	A	A
Sanjay Vinayak Mudaliar	N/M	N/M	A	A

Corporate Governance Statement

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
Fred Kakongoro Muhumuza	A	A	A	A
Prithvi Singh Bhati	A	A	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
Sanjay Vinayak Mudaliar	N/M	N/M	A	A

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

Corporate Governance Statement

Board Assets and Liabilities Committee

The Board 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) market/investment 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
Fred Kakongoro Muhumuza	A	A	A	A
Odoch Charles Langoya	A	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.

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.

Corporate Governance Statement

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 29**.

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

Shashi Dhar
Managing Director

Prithvi Singh Bhati
Executive Director

March 21, **2023**
Kampala, Uganda

Directors' Report

The directors have pleasure in submitting their report together with the audited 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, 2022, which disclose the state of affairs of the Group.

1. Nature of business

The Bank is principally engaged in the business of providing commercial banking services to the general public. The Bank is a financial institution regulated by Bank of Uganda (BoU) and licensed under the Financial Institutions Act, 2004, and as amended to conduct commercial banking business.

There have been no material changes to the nature of the Bank's business from the prior year.

2. Share capital

	2022	2021
	Number of shares	
Authorised		
Ordinary shares	2,500,000,000	2,500,000,000

	2022	2021	2022	2021
	UShs '000	UShs '000	Number of shares	
Issued				
Ordinary shares	25,000,000	25,000,000	2,500,000,000	2,500,000,000

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

3. Dividends

The Board of Directors have proposed final dividend of UShs 10 per share (2021:UShs 10 per share) to the shareholders of the Bank for the year ended December 31, 2022.

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. Directorate

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

Directors	Nationality	Changes
Vastina Rukimirana Nsanze	Ugandan	
Shashi Dhar	Indian	Appointed on March 16, 2023
Raj Kumar Meena	Indian	Completed his tenure on March 15, 2023
Prithvi Singh Bhati	Indian	
Sanjay Vinayak Mudaliar	Indian	Resigned on December 31, 2022
Debadatta Chand	Indian	Appointed on September 13, 2022
Sempijja Thadeus	Ugandan	
Fred Kakongoro Muhumuza	Ugandan	
Odoch Charles Langoya	Ugandan	

6. Directors' interests in shares

As at December 31, 2022, 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.

Directors' Report

7. 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 29** 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.

8. 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**.

9. Operating and regulatory environment

Operating environment

The Ugandan economy grew at 4.6% during year 2022, faster than had been anticipated due to an uptick in activity after the economy reopened in January 2022. On the supply side, services and industry were the main drivers of economic growth. There was also strong recovery in wholesale and retail trade, real estate and education, with industry rebounding through construction and manufacturing. On the demand side, private investment and private consumption headed towards pre-COVID levels. The current account deficit widened to over 9% of GDP, primarily reflecting a deterioration in the terms of trade and wider trade deficit.

With higher prices and policy tightening, growth in real consumption slowed, possibly because of reduced purchasing power, limited credit growth, and job losses. Employment fell after the second lockdown in June 2021 and remained at the same level in July 2022. Uganda's post pandemic recovery has been disrupted by several shocks. The economy continues to suffer from adverse spill overs from the Russia-Ukraine war induced high global commodity prices, tight global financial conditions, and adverse weather conditions. The effects of the decade long high inflation caused by these shocks and the associated tightening of domestic financial conditions triggered are squeezing consumers into difficult living conditions and businesses into tight operating conditions. The difficult situation is exerting damaging effects on business and consumer confidence, and aggregate demand.

The rate of economic growth could rise to over 6% in the medium-term despite sustained commodity price-driven inflation pressures, gradual fiscal consolidation, and tighter monetary policy. Growth will benefit from a gradual increase in investments in the oil sector and any dividends from the government's promotion efforts for tourism, export diversification, and agro industrialization.

Exchange rate

The Uganda Shilling remained relatively stable against the dollar during the year 2022 and strengthened at the tail end supported by tight liquidity conditions in the money markets and inflows from offshores and seasonal inflows from remittances, coffee receipts and NGOs and due to the easing of the strengthening of the US dollar globally. Year-on-year, the Uganda shilling was 5.9 percent weaker. The year opened with a foreign exchange rate of UShs 3,545 per US Dollar in the month of January 2022 and the same was averaged at UShs 3,695 per US Dollar during the year and closed at UShs 3,720 per US Dollar at the end of December 2022.

Directors' Report

Regulatory environment

The regulatory framework by Bank of Uganda continues to evolve and improve. The deliberate move by regulators across the African continent to enhance their interaction is expected to see modification and/or enhancements to our domestic regulation. The specific harmonisation around the EAC partner states on various areas of regulation is also expected to increase. In order to ensure compliance with all key external legislation we have scaled up the capacity and capability in our Compliance function that provides oversight and guidance on all compliance matters. However, more importantly, we have focused on building a culture of compliance across the Bank. At the core of this culture is that all staff must commit to living the eight core values of the Bank and having this message of individual accountability well understood across the Bank. We continue to ensure that our standing with the regulators remains strong.

On November 16, 2022, Bank of Uganda issued a circular notifying financial institutions of a proposed increase the minimal capital requirements for supervised financial institutions including commercial banks, credit institutions and micro deposit taking institutions. The new proposed increased minimum capital requirement for Tier I commercial bank increased from UShs 25 billion to UShs 120 billion by end of December 31, 2022 and UShs 150 billion by end of June 30, 2024.

10. 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.

11. 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. The Bank has also gone through a major recruitment exercise where 2 Officers, 2 Supervisors, 18 Banking Assistants and 8 Messengers/Office Assistants and 3 Drivers/office assistants have been recruited. A promotion exercise was also conducted and 2 staff were promoted from Supervisor to Officer Cadre, 1 Clerk (Banking Assistant) to Supervisor and 1 Non- Clerical to Clerical Cadre.

12. Information technology

The Bank possess strong digital foundation and technology capabilities to enable a data-driven digital bank which deliver world access client services. We are accelerating the simplification and harmonisation of our technology estate to reinforce strong digital foundation, integrate platforms using cloud where appropriate to provide consistent, secure, and resilient technology. We continue to invest in our information technology infrastructure, provide best-in-class tools, and selecting an automated and scalable technology capable of continuously delivering value to our clients.

During the year 2022, the Bank repelled old ATMs with cash recyclers, implemented green PIN and biometric login to core banking system. We continued our focus on leveraging technology which resulted in efficiencies and enhanced customer experience.

13. Events after the reporting period

Subsequent to the year end, on March 24, 2023 the shareholders of the Bank approved by way of Extraordinary General Meeting the issue of bonus equity shares in the ratio of 1:5 to the existing shareholders to increase the share capital of the Company from UShs 25,000,000 thousands to UShs 150,000,000 thousands as on set-off date March 24, 2023.

The directors are not aware of any other 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.

14. Discontinued operations

The directors decided to discontinue operations of Baroda Capital Markets (Uganda) Limited ("the Subsidiary") in the previous year. Consequently, the Subsidiary is under liquidation waiting for the approval Capital Market Authority.

Directors' Report

15. 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 will not be eligible to continue as auditors of the Bank in accordance with Section 67 of the Financial Institutions Act, 2004, and as amended. They will be retiring at the next annual general meeting having served for a continuous period of four years.

16. Secretary

The company secretary is Anne Tumwesigye Mbonye of:

Business address: PO Box 7197
Kampala, Uganda

17. Approval of financial statements

The annual report and consolidated and separate financial statements set out on pages 20 to 68, which have been prepared on the going concern basis were approved by the board of directors on 21.03.2023.

By Order of the Board

Anne Tumwesigye Mbonye
Company Secretary

March 21, **2023**
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 20 to 68, which have been prepared on the going concern basis, were approved by the Board of Directors on 21.03.2023 and were signed on its behalf by:

Vastina Rukimirana Nsanze
Chairperson

Shashi Dhar
Managing Director

Prithvi Singh Bhati
Executive Director

March 21, **2023**
Kampala, Uganda

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 20 to 68, which comprise the consolidated and separate statement of financial position as at December 31, 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of 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, 2022, 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 (Including International Independence Standards) (Parts 1 and 3) (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; • 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 21,976,295 thousand at December 31, 2022 (2021: UShs 11,467,358 thousand).	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 loans and advances; b) Controls over the allocation of loans and advances to stages; and c) The governance process of loans downgrading, including the continuous re-assessment of the appropriateness of assumptions used in for determining the impairment allowance. Our testing of the design, implementation and operating effectiveness of the controls provided a basis for us to continue with the planned nature, timing and extent of our audit procedures. Our procedures to adress the elevated inherent risk in ECL on loans and advances to customers included the following:

Office: 3rd Floor, Lugogo One, Plot 23, Lugogo Bypass, PO Box 7158, Kampala, Uganda
T +256 393 266850, +256 200 907333 E audit@ug.gt.com

Anil Patel (Indian), Jasmine Shah (Indian), Nilesh Patel (Indian), Uday Bhalara (Indian)

Key audit matter	
	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 samples of loans considering the total exposure, risks, industry trends, etc. For selected samples, we have verified the total exposure, value of security, financial performance and banking of borrowers during the year; c) We assessed Directors' forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. We evaluated the consistency of key assumptions applied, benchmarking these to our own understanding of the relevant industries and business environments, to assess the validity of the collateral valuations. We re-computed Directors' calculation of the impairment allowances to check the accuracy and completeness of data captured in the ECL model; d) We tested a sample of the data used in the models as well as assessing the model methodology and tested the calculations within the models; e) 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; f) We involved our IT specialists in the areas that required specific expertise for confirming accuracy and completeness of the data used for ECL model; and g) 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 consolidated and separate financial statements.

Other information

The Directors are responsible for the other information. The other information comprises of informations on pages 2 to 15. 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.

Independent Auditor's Report

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, so far as appears from our examination of those books; and
- the Group's and the Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

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

Uday Bhalara
P0474

Grant Thornton

Grant Thornton
Certified Public Accountants

April 20, 2023
Kampala, Uganda

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

		Group		Bank	
	Note	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000
Continuing operations					
Interest income	5	227,666,481	185,040,259	227,666,481	185,040,259
Interest expense	6	(56,746,719)	(53,868,241)	(56,746,719)	(53,868,241)
Net interest income		**170,919,762**	**131,172,018**	**170,919,762**	**131,172,018**
Non-interest income	7	34,071,677	21,310,058	34,071,677	21,310,058
Operating expenses	8	(37,009,688)	(41,994,695)	(37,009,688)	(41,994,695)
(Impairment) reversal of allowance on financial assets	16	(11,065,014)	7,242,075	(11,065,014)	7,242,075
Profit before taxation		**156,916,737**	**117,729,456**	**156,916,737**	**117,729,456**
Taxation	10	(34,731,723)	(27,497,740)	(34,731,723)	(27,497,740)
Profit from continuing operations		**122,185,014**	**90,231,716**	**122,185,014**	**90,231,716**
Discontinued operations					
Profit (loss) from discontinued operations (net of tax)	11	10,952	(182,932)	-	-
Profit for the year		**122,195,966**	**90,048,784**	**122,185,014**	**90,231,716**
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)		(13,789,665)	2,781,329	(13,789,665)	2,781,329
Investment in government securities at FVTOCI - reclassified to profit or loss (net of tax)		(2,777,317)	9,000,603	(2,777,317)	9,000,603
Other comprehensive (loss) for the year	13	**(16,566,982)**	**11,781,932**	**(16,566,982)**	**11,781,932**
Total comprehensive income		**105,628,984**	**101,830,716**	**105,618,032**	**102,013,648**
Earnings per share					
Basic and diluted earnings per share (UShs) - continuing operations	30	48.87	36.09	48.87	36.09
Basic and diluted earnings per share (UShs) - continuing and discontinued operations	30	48.88	36.02	48.87	36.09

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

Consolidated and Separate Statement of Financial Position

		Group		Bank	
	Note	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000
Assets					
Cash and balances with Bank of Uganda	12	228,514,586	210,572,779	228,514,586	210,572,779
Investment in government securities	13	787,992,707	714,185,977	787,992,707	714,185,977
Due from group companies	14	6,292,990	8,205,601	6,292,990	8,205,601
Deposit and balances due from other financial institutions	15	282,869,624	276,713,146	282,869,624	276,713,146
Loans and advances to customers	16	1,089,050,974	942,096,250	1,089,050,974	942,096,250
Other assets	17	5,235,400	4,691,050	5,235,400	4,691,050
Current tax receivable	18	364,885	2,946,614	364,885	2,946,614
Property, equipment and right-of-use assets	19	27,053,210	29,052,614	27,053,210	29,052,614
Intangible assets	20	76,955	134,035	76,955	134,035
Deferred tax assets	21	7,681,070	-	7,681,070	-
Assets of disposal groups	11	716,765	676,427	40,000	40,000
Total Assets		**2,435,849,166**	**2,189,274,493**	**2,435,172,401**	**2,188,638,066**
Equity and Liabilities					
Equity					
Share capital	22	25,000,000	25,000,000	25,000,000	25,000,000
Revaluation reserves		7,467,700	7,860,737	7,467,700	7,860,737
FVTOCI reserves		(12,451,075)	4,115,906	(12,451,075)	4,115,906
Proposed dividend		25,000,000	50,000,000	25,000,000	50,000,000
Retained earnings		565,302,349	467,713,346	564,902,257	467,324,206
Total Equity		**610,318,974**	**554,689,989**	**609,918,882**	**554,300,849**
Liabilities					
Customer deposits	24	1,777,297,079	1,592,215,724	1,777,297,080	1,592,215,726
Repurchase agreement and borrowed funds	25	8,725,514	9,065,722	8,725,514	9,065,722
Other liabilities	26	39,230,925	30,983,380	39,230,925	30,983,380
Deferred tax liabilities	21	-	2,072,389	-	2,072,389
Liabilities of disposal groups	11	276,674	247,289	-	-
Total Liabilities		**1,825,530,192**	**1,634,584,504**	**1,825,253,519**	**1,634,337,217**
Total Equity and Liabilities		**2,435,849,166**	**2,189,274,493**	**2,435,172,401**	**2,188,638,066**

The consolidated and separate financial statements on pages 20 to 68, were approved by the Board of Directors and authorised for issue on 21.03.2023 and were signed on its behalf by:

Vastina Rukimirana Nsanze
Chairperson

Shashi Dhar
Managing Director

Prithvi Singh Bhati
Executive Director

Anne Tumwesigye Mbonye
Company Secretary

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

Consolidated and Separate Statement of Changes in Equity

	Share capital	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
Group							
Balance at January 1, 2021	**25,000,000**	**7,136,650**	**8,274,460**	**(7,666,026)**	**25,000,000**	**395,133,120**	**452,878,204**
Profit for the year	-	-	-	-	-	90,048,784	90,048,784
Transfer to FVTOCI reserves (net of tax)	-	-	-	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**
Profit for the year	-	-	-	-	-	122,195,966	122,195,966
Transfer from FVTOCI reserves (net of tax)	-	-	-	(13,789,664)	-	-	(13,789,664)
Recycling of government securities at FVTOCI (net of tax)	-	-	-	(2,777,317)	-	-	(2,777,317)
Total comprehensive income for the year	**-**	**-**	**-**	**(16,566,981)**	**-**	**122,195,966**	**105,628,985**
Transfer of excess depreciation on revaluation (net of tax)	-	-	(393,037)	-	-	393,037	-
Dividend paid	-	-	-	-	(50,000,000)	-	(50,000,000)
Dividend proposed	-	-	-	-	25,000,000	(25,000,000)	-
Total transactions with owners of the Group	**-**	**-**	**(393,037)**	**-**	**(25,000,000)**	**(24,606,963)**	**(50,000,000)**
Balance at December 31, 2022	**25,000,000**	**-**	**7,467,700**	**(12,451,075)**	**25,000,000**	**565,302,349**	**610,318,974**
Note	22	23					

Consolidated and Separate Statement of Changes in Equity

	Share capital USh's '000	Regulatory general credit risk reserve USh's '000	Revaluation reserve USh's '000	FVTOCI Reserve USh's '000	Proposed dividend USh's '000	Retained earnings USh's '000	Total equity USh's '000
Bank							
Balance at January 1, 2021	**25,000,000**	**7,136,650**	**8,274,460**	**(7,666,026)**	**25,000,000**	**394,542,117**	**452,287,201**
Profit for the year	-	-	-	-	-	90,231,716	90,231,716
Transfer from FVTOCI reserves (net of tax)	-	-	-	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 of 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**
Profit for the year	-	-	-	-	-	122,185,014	122,185,014
Transfer to FVTOCI reserves (net of tax)	-	-	-	(13,789,664)	-	-	(13,789,664)
Recycling of government securities at FVTOCI (net of tax)	-	-	-	(2,777,317)	-	-	(2,777,317)
Total comprehensive income for the year	**-**	**-**	**-**	**(16,566,981)**	**-**	**122,185,014**	**105,618,033**
Transfer of excess depreciation on revaluation (net of tax)	-	-	(393,037)	-	-	393,037	-
Dividend paid	-	-	-	-	(50,000,000)	-	(50,000,000)
Dividend proposed	-	-	-	-	25,000,000	(25,000,000)	-
Total transactions with owners of the Bank	**-**	**-**	**(393,037)**	**-**	**(25,000,000)**	**(24,606,963)**	**(50,000,000)**
Balance at December 31, 2022	**25,000,000**	**-**	**7,467,700**	**(12,451,075)**	**25,000,000**	**564,902,257**	**609,918,882**
Note	22	23					

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

Consolidated and Separate Statement of Cash Flows

		Group		Bank	
	Note	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000
Cash flows from operating activities					
Interest receipts		226,570,491	170,962,441	226,570,491	170,962,441
Interest payments		(53,231,605)	(53,815,027)	(53,231,605)	(53,815,027)
Net fees and commission receipts		18,259,970	16,479,435	18,259,970	16,479,435
Other income received		8,771,588	8,197,485	8,771,588	8,197,485
Recoveries on loans previously written off		8,451,167	8,326,392	8,451,167	8,326,392
Payments to employees and suppliers		(35,818,249)	(40,178,957)	(35,777,911)	(39,539,791)
Profit (loss) from discontinued operations		10,953	(182,932)	-	-
Changes in:					
Loans and advances to customers		(158,019,738)	(89,034,545)	(158,019,738)	(89,034,545)
Cash reserve requirement		(48,340,000)	(2,970,000)	(48,340,000)	(2,970,000)
Investment in government securities		(83,796,230)	(124,128,555)	(83,796,230)	(124,128,555)
Other assets		(544,350)	(793,445)	(544,350)	(797,918)
Customer deposits		185,081,355	19,884,591	185,081,355	19,247,550
Other financial liabilities		(340,208)	(10,765,789)	(340,208)	(10,765,789)
Other liabilities		6,204,541	(9,188,409)	6,175,156	(9,343,490)
		73,259,685	**(107,207,315)**	**73,259,685**	**(107,181,812)**
Tax paid	18	(34,958,398)	(29,910,931)	(34,958,398)	(29,936,434)
Net cash generated from (used in) operating activities		**38,301,287**	**(137,118,246)**	**38,301,287**	**(137,118,246)**
Cash flows from investing activities					
Purchase of property, equipment and right-of-use assets		(802,538)	(1,793,034)	(802,538)	(1,793,034)
Sale of property, equipment and right-of-use assets		24,542	1,201	24,542	1,201
Purchase of intangible assets		-	(37,284)	-	(37,284)
Net cash used in investing activities		**(777,996)**	**(1,829,117)**	**(777,996)**	**(1,829,117)**
Cash flows from financing activities					
Dividends paid		(50,000,000)	(24,895,491)	(50,000,000)	(24,895,491)
Net cash used in financing activities		**(50,000,000)**	**(24,895,491)**	**(50,000,000)**	**(24,895,491)**
Net change in cash and cash equivalents for the year		**(12,476,709)**	**(163,842,854)**	**(12,476,709)**	**(163,842,854)**
Cash and cash equivalents at the beginning of the year		643,320,461	807,163,316	643,320,461	807,163,316
Total cash and cash equivalents at end of the year	27	**630,843,752**	**643,320,462**	**630,843,752**	**643,320,462**

The notes on pages 25 to 68 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, 2022 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 Subsidiary's financials were authorised for issue by its board on 01.03., 2023.

The separate financial statements for the year ended December 31, 2022 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 UShs has 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.

1.2 Critical judgements and key sources of estimation uncertainty (continued)

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.

Notes to the Consolidated and Separate Financial Statements

1.2 Critical judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies

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

Impairment 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.

Notes to the Consolidated and Separate Financial Statements

1.3 Revenue (continued)

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.

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.

1.5 Intangible assets (continued)

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.

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;

1.8 Leases (continued)

- the contract involves the use of an identified assets – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct thd use of the asset if either;
  > the Group has the right to operate the asset; or
  > the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

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 lability 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.

Notes to the Consolidated and Separate Financial Statements

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 time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

1.10 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.

1.10 Impairment of non-financial assets (continued)

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

1.11 Financial instruments (continued)
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 terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding
The details of these conditions are outlined below:

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed

-How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

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

The SPPI test

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

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

Financial assets 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

1.11 Financial instruments (continued)

The contractual terms of the financial asset meet the SPPI test

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

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

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as 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

Notes to the Consolidated and Separate Financial Statements

1.11 Financial instruments (continued)

- 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.

1.11 Financial instruments (continued)

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

Financial liabilities

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

Impairment of financial assets

Overview of the ECL principles

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

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

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

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

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

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

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL.

  Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

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

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

Notes to the Consolidated and Separate Financial Statements

1.11 Financial instruments (continued)

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

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

The calculation of ECL

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

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

- 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.

Write-off

The Group writes off loans and advances net of any related allowances for impairment losses, when the Bank's Credit Committee determines that the loans and advances are uncollectible and securities unrealisable. This determination is reached after considering information such as the occurrence of significant changes in the borrower or issuer's financial position such that the borrower or issuer can no longer pay the obligation, or that proceeds from sale of collateral will not be sufficient to pay back the entire exposure and after exhausting all other means including litigation. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

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 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.

Notes to the Consolidated and Separate Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendment specifies which costs an entity includes when assessing whether a contract will be loss-making.

The effective date of the amendment is for years beginning on or after January 1, 2022.

The Group has adopted the amendment for the first time in the 2022 annual report and consolidated and separate financial statements.

The impact of the amendment is not material.

Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 9, IFRS 16)

IFRS 9 Financial Instruments

The improvement clarifies the fees an entity should include when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Lease Incentives

Removes potential for confusion regarding lease incentives.

The effective date of the amendment is for years beginning on or after January 1, 2022.

The Group has adopted the amendment for the first time in the 2022 annual report and consolidated and separate financial statements.

The impact of the amendment 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, 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected 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
• Definition of accounting estimates (Amendments to IAS 8)	January 1, 2023	Unlikely there will be a material impact
• Disclosure of accounting policies (Amendments to IAS 1 and practice statement 2)	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 the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018; Financial Institutions (Capital Buffers and Leverage Ratio) Regulations 2020 and Financial Institutions (Revision of the Minimum Capital Requirements) Statutory Instrument 2022;

- 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 Buffers and Leverage Ratio) Regulations 2020 and Financial Institutions (Revision of the Minimum Capital Requirements) Statutory Instrument 2022 require financial institutions to: (a) hold the minimum level of regulatory capital of UShs 120 billion (2021: UShs 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

3. Financial risk management (continued)

The table below summarizes the composition of the regulatory capital.

	Bank	
	2022 UShs '000	**2021 UShs '000**
Core capital (Tier 1)		
Share capital	25,000,000	25,000,000
Accumulated profit	564,902,257	467,324,206
Intangible assets	(76,955)	(134,035)
Unrealised foreign exchange gain	-	(490,731)
FVTOCI reserve	(12,451,075)	4,115,906
Investments in subsidiaries	(40,000)	(40,000)
Deferred tax	(7,681,070)	-
Total Tier 1 Capital	**569,653,157**	**495,775,346**
Supplementary capital (Tier 2)		
Unencumbered general provisions (FI Act)	11,072,980	9,532,131
Revaluation reserve	7,467,700	7,860,737
Total Tier 2 Capital	**18,540,680**	**17,392,868**
Tier 1 capital	569,653,157	495,775,346
Tier 2 capital	18,540,680	17,392,868
Total capital (Tier 1 + Tier 2)	**588,193,837**	**513,168,214**

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.

Effective December 31, 2022, minimum paid-up cash capital and capital unimpaired by losses shall not be less than UShs 120,000,000 thousand and UShs 150,000,000 thousand by December 31, 2022 and June 30, 2024 respectively as per Section 2 of the Financial Institutions (Revision of minimum capital requirements) Instrument, 2022.

The Bank's paid-up capital is less than the requirement. However, the Bank submitted its capital restoration plan to the Central bank as required by the Financial Institutions Act, 2004 and as amended which was approved and to be implemented within 180 days. i.e., June 30, 2023.

Notes to the Consolidated and Separate Financial Statements

3. Financial risk management (continued)

Particulars	2022			2021		
	Balance Sheet Nominal Amount UShs '000	Risk Weight %	Risk Weighted Amount UShs '000	Balance Sheet Nominal Amount UShs '000	Risk Weight %	Risk Weighted Amount UShs '000
Assets						
Notes, coins and other cash assets	22,648,609	0 %	-	17,757,537	0 %	-
Investment in government securities	787,992,707	0 %	-	714,185,977	0 %	-
Due from Commercial Banks in Uganda	21,883,839	20 %	4,376,768	23,358,663	20 %	4,671,733
Balance with Bank of Uganda	205,865,977	0 %	-	192,815,242	0 %	-
Placements with local Banks	55,152,896	20 %	11,030,579	106,090,970	20 %	21,218,194
Due from banks outside Uganda with longterm rating as follows:						
i. Rated AAA to AA (-)	-	20 %	-	-	20 %	-
ii. Rated A(+) to A(-)	1,794,281	50 %	897,141	3,451,591	50 %	1,725,796
iii. Rated BBB and non-rated	210,331,598	100 %	210,331,598	152,017,523	100 %	152,017,523
Loans and advances to customers (excluding loans secured by 100% cash margin)	1,012,508,858	100 %	1,012,508,858	875,659,569	100 %	875,659,569
Outstanding balance fully secured by FDR/SDR	94,789,137	0 %	-	77,553,523	0 %	-
Other assets	5,235,400	100 %	5,235,400	4,691,050	100 %	4,691,050
Current tax receivable	364,885	100 %	364,885	2,946,614	100 %	2,946,614
Investment in subsidiaries	40,000	0 %	-	40,000	0 %	-
Deferred tax	7,681,070	0 %	-	-	0 %	-
Property, equipment and right-of-use assets	27,053,210	100 %	27,053,210	29,052,614	100 %	29,052,614
Intangible assets	76,955	0 %	-	134,035	0 %	-
Total assets*	**2,453,419,422**		**1,271,798,439**	**2,199,754,908**		**1,091,983,093**
Off-balance sheet items						
Contingents secured by cash collateral	32,556,563	0 %	-	27,648,344	0 %	-
Direct credit substitutes (guarantees and acceptances)	47,573,246	100 %	47,573,246	28,267,243	100 %	28,267,243
Transaction related (performance bonds and standbys)	23,882,683	50 %	11,941,341	19,799,872	50 %	9,899,936
Documentary Credits (trade related and self liquidating)	68,188,148	20 %	13,637,630	80,822,768	20 %	16,164,554
Other Commitments (unused formal facilities)	322,331,730	50 %	161,165,865	294,802,291	50 %	147,401,146
Total off balance sheet items	**494,532,370**		**234,318,082**	**451,340,518**		**201,732,879**
Total risk weighted assets			**1,506,116,521**			**1,293,715,972**
Weighted items with market risk			21,911,855			912,677
Weighted items with operational risk			203,614,668			-
Total Risk Weighted items			**1,731,643,044**			**1,294,628,649**

3. Financial risk management (continued)

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

	2022 USh's '000	2021 USh's '000
Total assets as per Statement of Financial Position	2,435,172,401	2,188,638,066
Less: Loans and advances to customer (as per IFRS)	(1,089,050,974)	(942,096,250)
Add: Loans and advances to customer (as per FI Act)	1,107,297,995	953,213,092
***Total assets (as above)**	**2,453,419,422**	**2,199,754,908**

Reconciliation of loan and advances to customers between IFRS and FIA	2022 USh's '000	2021 USh's '000
Gross loans and advances	1,111,798,256	953,592,441
Less: Specific provision as per FIA 2004 (and as amended)	(3,729,274)	(350,516)
Less: Interest in suspense	(770,987)	(28,833)
Net loans and advances to customers for regulatory purposes	**1,107,297,995**	**953,213,092**
Represented by:		
Outstanding balance fully secured by FDR/SDR	94,789,137	77,553,523
Loans and advances to customers (excluding loans secured by 100% cash margin)	1,012,508,858	875,659,569
	1,107,297,995	**953,213,092**

	2022 Actual Ratios	2022 Minimum Requirements	2021 Actual Ratios	2021 Minimum Requirements
Core capital to risk assets ratio	32.90 %	12.50 %	38.29 %	12.50 %
Total capital to risk assets ratio	33.97 %	14.50 %	39.64 %	14.50 %

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.

3. Financial risk management (continued)

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.

3. Financial risk management (continued)

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	
	2022 USHs '000	2021 USHs '000	2022 USHs '000	2021 USHs '000
Particulars				
Balances with Bank of Uganda	205,865,977	192,815,242	205,865,977	192,815,242
Deposit and balances due from other financial institutions	282,869,624	276,713,146	282,869,624	276,713,146
Due from group companies	6,292,990	8,205,601	6,292,990	8,205,601
Investment in government securities	787,992,707	714,185,977	787,992,707	714,185,977
Other assets	5,235,400	4,691,050	5,235,400	4,691,050
Loans and advances to customers (net)	1,089,050,974	942,096,250	1,089,050,974	942,096,250
Credit exposure relating to off-balance sheet items:				
Acceptances and letters of credit	68,188,148	80,822,768	68,188,148	80,822,768
Guarantees and performance	71,455,929	48,067,115	71,455,929	48,067,115
Commitments to lend	322,331,730	294,802,291	322,331,730	294,802,291
Contingents secured by cash collateral	32,556,563	27,648,344	32,556,563	27,648,344
	2,871,840,042	**2,590,047,784**	**2,871,840,042**	**2,590,047,784**

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, 37.92% (2021: 36.37%) of the total maximum exposure of the Group is derived from loans and advances to banks and customers and 27.44% (2021: 27.57%) 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

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.

Notes to the Consolidated and Separate Financial Statements

3. Financial risk management (continued)

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:

- 80.99% (2021: 89.07%) of the gross loans and advances portfolio are at stage 1;
- 54.50% (2021: 51.37%) of the loans are backed by collaterals;
- 100% (2021: 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:

	Group		Bank	
	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000
Stage 1	900,483,727	849,369,210	900,483,727	849,369,210
Stage 2	162,896,546	64,568,708	162,896,546	64,568,708
Stage 3	48,417,983	39,654,523	48,417,983	39,654,523
Gross loans and advances	**1,111,798,256**	**953,592,441**	**1,111,798,256**	**953,592,441**
Impairment allowance	(21,976,295)	(11,467,358)	(21,976,295)	(11,467,358)
Interest in suspense	(770,987)	(28,833)	(770,987)	(28,833)
Loans and advances - net	**1,089,050,974**	**942,096,250**	**1,089,050,974**	**942,096,250**

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.

Notes to the Consolidated and Separate Financial Statements

3. Financial risk management (continued)

Stage 3 loans and advances

	Group		Bank	
	2022 UShs '000	**2021 UShs '000**	**2022 UShs '000**	**2021 UShs '000**
Loans				
Corporate	28,344,438	21,280,757	28,344,438	21,280,757
Retail	395,981	718,781	395,981	718,781
	28,740,419	21,999,538	28,740,419	21,999,538
Overdrafts				
Corporate	19,542,378	17,498,116	19,542,378	17,498,116
Retail	135,186	159,869	135,186	159,869
	19,677,564	17,657,985	19,677,564	17,657,985
Total stage 3 loans and advances	**48,417,983**	**39,657,523**	**48,417,983**	**39,657,523**

Concentration of credit risk

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

At December 31, 2022

	Loans and advances	**Credit commitments**
	%	%
Manufacturing	47.26	30.24
Wholesale and retail trade	10.01	19.73
Transport and communication	0.25	0.67
Building and construction	11.75	17.06
Agriculture	25.99	25.06
Individuals	1.40	2.76
Others	3.34	4.48
	100.00	**100.00**

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**

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.

Notes to the Consolidated and Separate Financial Statements

3. Financial risk management (continued)

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

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

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

At December 31, 2022	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Assets						
Cash and balances with Bank of Uganda	228,514,586	-	-	-	-	228,514,586
Investment in government securities	22,906,009	39,066,808	307,458,522	172,426,753	246,134,615	787,992,707
Due from group companies	6,292,990	-	-	-	-	6,292,990
Deposit and balances due from other financial institutions	151,580,528	104,931,197	25,919,921	-	437,978	282,869,624
Loans and advances to customers	65,657,937	107,905,249	164,516,636	352,620,916	398,350,236	1,089,050,974
Total assets	**474,952,050**	**251,903,254**	**497,895,079**	**525,047,669**	**644,922,829**	**2,394,720,881**
Liabilities						
Repurchase agreement and borrowed funds	8,725,514	-	-	-	-	8,725,514
Customer deposits	50,963,478	231,795,803	843,171,933	38,669,953	612,695,913	1,777,297,080
Other liabilities	1,243,759	-	1,553,752	5,853,560	6,243,449	14,894,520
Total liabilities	**60,932,751**	**231,795,803**	**844,725,685**	**44,523,513**	**618,939,362**	**1,800,917,114**
Net liquidity gap	**414,019,299**	**20,107,451**	**(346,830,606)**	**480,524,156**	**25,983,467**	**593,803,767**
Off-balance sheet items	40,187,934	57,660,854	64,405,473	9,946,378	-	172,200,639
Overall net position	**373,831,365**	**(37,553,403)**	**(411,236,079)**	**470,577,778**	**25,983,467**	**421,603,128**

At December 31, 2021						
Total assets	395,632,523	179,676,474	487,833,820	415,874,162	672,756,774	2,151,773,753
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**

Notes to the Consolidated and Separate Financial Statements

3. Financial risk management (continued)

Market risk

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

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

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	**2022**	**2021**
	UShs '000	**UShs '000**
US Dollar	(43,333)	(29,291)
Euro	(14,962)	(10,612)
GBP	(368)	(4,085)
Others	(11,123)	(99,965)
Total	**(69,786)**	**(143,953)**

3. Financial risk management (continued)

Currency risk

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

The significant currency positions are detailed below:

At December 31, 2022

	EURO UShs '000	USD UShs '000	GBP UShs '000	Others UShs'000	Total UShs '000
Assets					
Cash and balances with Bank of Uganda	682,087	17,305,088	637,549	80,229	18,704,953
Due from group companies	2,519,908	2,268,606	1,066,498	437,978	6,292,990
Deposits and balances due from other financial institutions	3,216,199	259,568,119	10,078,868	-	272,863,186
Loans and advances to customers	-	761,364,384	-	-	761,364,384
Total assets	**6,418,194**	**1,040,506,197**	**11,782,915**	**518,207**	**1,059,225,513**
Liabilities					
Customer deposits	6,070,355	1,040,465,305	11,688,133	45,486	1,058,269,279
Other liabilities	-	9,339,981	-	3,866	9,343,847
Total liabilities	**6,070,355**	**1,049,805,286**	**11,688,133**	**49,352**	**1,067,613,126**
Net foreign currency exposure	**347,839**	**(9,299,089)**	**94,782**	**468,855**	**(8,387,613)**
Off-balance sheet items	6,111,823	307,925,984	67,170	8,853	314,113,830
Overall foreign currency exposure	**(5,763,984)**	**(317,225,073)**	**27,612**	**460,002**	**(322,501,443)**

At December 31, 2021					
Total assets	2,469,071	931,896,418	11,095,364	1,586,946	947,047,799
Total liabilities	2,516,844	942,712,959	11,071,265	92,810	956,393,878
Net foreign currency exposure	**(47,773)**	**(10,816,541)**	**24,099**	**1,494,136**	**(9,346,079)**
Off-balance sheet items	(7,974,853)	(281,587,218)	-	-	(289,562,071)
Overall foreign currency exposure	**(8,022,626)**	**(292,403,759)**	**24,099**	**1,494,136**	**(298,908,150)**

Exchange rates used for conversion of foreign items were:

	2022 UShs	2021 UShs
US Dollar	3,720	3,545
GBP	4,478	4,792
Euro	3,961	4,012
INR	45	48
KSh	30	31

3. Financial risk management (continued)

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different rimes or in different amounts. Risk management activities are aimed at 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, 2022	**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	31,085,074	-	-	-	-	31,085,074
Investment in government securities	22,906,009	39,066,808	307,458,522	172,426,753	246,134,615	787,992,707
Due from group companies	6,292,990	-	-	-	-	6,292,990
Deposits and balances due from other financial institutions	151,580,528	104,931,197	25,919,921	-	437,978	282,869,624
Loans and advances to customers	65,657,937	107,905,249	164,516,636	352,620,916	398,350,236	1,089,050,974
Total assets	**277,522,538**	**251,903,254**	**497,895,079**	**525,047,669**	**644,922,829**	**2,197,291,369**
Liabilities						
Repurchase agreement and borrowed funds	8,725,514	-	-	-	-	8,725,514
Customer deposits	50,963,478	231,795,803	843,171,933	38,669,953	612,695,913	1,777,297,080
Other liabilities	-	-	1,553,752	5,853,560	6,243,449	13,650,761
Total liabilities	**59,688,992**	**231,795,803**	**844,725,685**	**44,523,513**	**618,939,362**	**1,799,673,355**
Interest sensitivity gap	**217,833,546**	**20,107,451**	**(346,830,606)**	**480,524,156**	**25,983,467**	**397,618,014**
At December 31, 2021						
Total assets	219,515,603	179,676,474	487,833,826	415,874,162	672,756,774	1,975,656,839
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**

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

Notes to the Consolidated and Separate Financial Statements

3. Financial risk management (continued)

Interest rate risk sensitivity

As at December 31, 2022, if interest rates had been 10% lower/higher with all other variables held constant, post-tax profit and equity for the year would have been UShs 11,964 million (2021: UShs 9,182 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.

Risk measurement and control

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

4. Operating segments

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

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 UShs '000	**2021 UShs '000**	**2022 UShs '000**	**2021 UShs '000**
5. Interest income				
Loans and advances	114,415,065	96,334,619	114,415,065	96,334,619
Treasury bonds	77,987,357	47,089,115	77,987,357	47,089,115
Treasury bills	26,195,841	34,358,905	26,195,841	34,358,905
Deposits and balances due from other financial institutions	9,068,218	7,257,620	9,068,218	7,257,620
	227,666,481	**185,040,259**	**227,666,481**	**185,040,259**
6. Interest expense				
Time deposits	51,795,340	49,122,631	51,795,340	49,122,631
Savings accounts	3,114,440	3,189,551	3,114,440	3,189,551
Repurchase agreement and borrowed funds	400,656	230,742	400,656	230,742
Current and demand deposits	994,263	911,859	994,263	911,859
Lease liabilities	442,020	413,458	442,020	413,458
	56,746,719	**53,868,241**	**56,746,719**	**53,868,241**
7. Non-interest income				
Fees and commission income	18,259,970	16,602,634	18,259,970	16,602,634
Recoveries from loans and advances previously written-off	8,451,167	8,326,392	8,451,167	8,326,392
Realised foreign exchange differences	6,132,300	4,654,040	6,132,300	4,654,040
Unrealised foreign exchange differences	(1,413,241)	490,731	(1,413,241)	490,731
(Loss) profit on sale of investments	(1,415,526)	3,441,270	(1,415,526)	3,441,270
Other income	117,488	651,794	117,488	651,794
Recycling of gain (loss) on disposal of investment at FVTOCI	3,967,595	(12,858,004)	3,967,595	(12,858,004)
(Loss) gain on sale of property and equipment	(28,076)	1,201	(28,076)	1,201
	34,071,677	**21,310,058**	**34,071,677**	**21,310,058**

Notes to the Consolidated and Separate Financial Statements

8. Operating expenses

	Group 2022 UShs '000	Group 2021 UShs '000	Bank 2022 UShs '000	Bank 2021 UShs '000
Employee costs (note 9)	18,831,207	22,822,378	18,831,207	22,822,378
Insurance	3,660,447	3,321,894	3,660,447	3,321,894
Depreciation and amortisation	2,806,402	2,845,366	2,806,402	2,845,366
Administration and service level agreement fees	2,299,021	1,229,012	2,299,021	1,229,012
Repairs and maintenance	2,099,896	1,468,956	2,099,896	1,468,956
Fee and commission expenses	1,317,784	1,161,680	1,317,784	1,161,680
Other expenses	1,119,282	1,955,571	1,119,282	1,955,571
Rent, rates and utilities	896,990	929,304	896,990	929,304
Advertising	880,447	959,517	880,447	959,517
Software expenses	657,704	323,606	657,704	323,606
Security	639,233	554,642	639,233	554,642
Printing and stationery	534,525	758,579	534,525	758,579
Auditors remuneration	287,903	279,168	287,903	279,168
Consulting and professional fees	275,706	358,449	275,706	358,449
Travelling	224,714	455,132	224,714	455,132
Telephone and fax	170,326	151,840	170,326	151,840
Entertainment	117,727	178,901	117,727	178,901
Subscriptions	72,528	121,694	72,528	121,694
Directors' emoluments	63,062	60,857	63,062	60,857
Donations	46,799	49,147	46,799	49,147
Bad debts written off	7,984	1,867,316	7,984	1,867,316
Fair value loss on investments measured at FVTPL	-	141,686	-	141,686
	37,009,687	**41,994,695**	**37,009,687**	**41,994,695**

9. Employee costs

	Group 2022 UShs '000	Group 2021 UShs '000	Bank 2022 UShs '000	Bank 2021 UShs '000
Salaries and wages	16,319,443	17,468,099	16,319,443	17,468,099
National social security fund contributions	1,041,762	933,348	1,041,762	933,348
Contribution to provident fund for expatriates	348,548	615,895	348,548	615,895
Retirement benefits	-	2,880,799	-	2,880,799
Other allowances	1,121,454	924,237	1,121,454	924,237
	18,831,207	**22,822,378**	**18,831,207**	**22,822,378**

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 UShs '000	**2021 UShs '000**	**2022 UShs '000**	**2021 UShs '000**
10. Taxation				
Major components of the tax expense				
Current				
Local income tax - current period	23,392,278	13,494,157	23,392,278	13,494,157
Withholding tax ("WHT") on investment income	14,147,849	14,801,910	14,147,849	14,801,910
	37,540,127	**28,296,067**	**37,540,127**	**28,296,067**
Deferred				
Originating and reversing temporary differences	(2,808,404)	(798,327)	(2,808,404)	(798,327)
	34,731,723	**27,497,740**	**34,731,723**	**27,497,740**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	156,916,737	117,729,456	156,916,737	117,729,456
Tax at the applicable tax rate of 30% (2021: 30%)	47,075,021	35,318,837	47,075,021	35,318,837
Tax effect of adjustments on taxable income				
Final tax (WHT) on investment income*	14,147,849	14,801,910	14,147,849	14,801,910
Tax on income subject to final WHT**	(28,680,949)	(24,434,406)	(28,680,949)	(24,434,406)
Non-deductible expenses	2,189,802	1,811,399	2,189,802	1,811,399
	34,731,723	**27,497,740**	**34,731,723**	**27,497,740**

*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

	Group		Bank	
	2022 USHs '000	2021 USHs '000	2022 USHs '000	2021 USHs '000

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

	Group 2022	Group 2021	Bank 2022	Bank 2021
Revenue	69,532	91,556	-	-
Expenses	(58,579)	(254,745)	-	-
Profit (loss) before tax	**10,953**	(163,189)	-	-
Taxation	-	(19,744)	-	-
Profit (loss) after tax	**10,953**	(182,933)	-	-
Gains on measurement to fair value less cost to sell (net of tax)	-	-	-	-
Profit (loss) from discontinued operations	**10,953**	**(182,933)**	**-**	**-**

Assets and liabilities of disposal groups

	Group 2022	Group 2021	Bank 2022	Bank 2021
Assets of disposal groups				
Investment in subsidiary	-	-	40,000	40,000
Trade and other receivables	31,142	31,142	-	-
Cash at bank	685,623	645,285	-	-
	716,765	**676,427**	**40,000**	**40,000**
Liabilities of disposal groups				
Trade and other payables	21,340	15,839	-	-
Due to holding company	255,334	231,450	-	-
	276,674	**247,289**	**-**	**-**

12. Cash and balances with Bank of Uganda

	Group 2022	Group 2021	Bank 2022	Bank 2021
Cash in hand	22,648,609	17,757,537	22,648,609	17,757,537
Balances with Bank of Uganda	205,865,977	192,815,242	205,865,977	192,815,242
	228,514,586	**210,572,779**	**228,514,586**	**210,572,779**

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, 2022, the mandatory deposits were 10% of total deposits (2021: 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 is UShs 436 million (2021: UShs 208 million) and this was included together with principal balance advanced.

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 UShs '000	**2021 UShs '000**	**2022 UShs '000**	**2021 UShs '000**
13. Investment in government securities				
Fair value through profit or loss				
Treasury bills	-	16,994,043	-	16,994,043
Fair value through other comprehensive income				
Treasury bills	270,699,416	240,420,668	270,699,416	240,420,668
Treasury bonds	332,081,505	315,547,773	332,081,505	315,547,773
	602,780,921	**555,968,441**	**602,780,921**	**555,968,441**
Amortised cost				
Treasury bonds	185,211,786	141,223,493	185,211,786	141,223,493
	787,992,707	**714,185,977**	**787,992,707**	**714,185,977**

Movement in investment in government securities

Reconciliation of fair value through OCI - Group and Bank - 2022

	Opening balance	**Movement in fair valuation**	**Net addition / (deduction)**	**Interest receivable**	**Closing balance**
Investment in government securities	555,968,441	(23,667,116)	57,975,730	12,503,866	602,780,921

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

Movement in fair valuation net of tax is UShs -16,566,982 (2021: UShs 11,781,932) thousands. The weighted average effective interest rate on treasury bonds as at December 31, 2022 was 14.87% and on treasury bills 11.50% (2021: treasury bonds 14.52% and treasury bills 9.96%).

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 364 days to UShs 5,580 million (2021: 91 days to UShs 3,954 million) with Bank of Uganda.

14. Due from group companies

	Group 2022	Group 2021	Bank 2022	Bank 2021
Bank of Baroda, London - GBP	1,066,498	2,367,890	1,066,498	2,367,890
Bank of Baroda, Nairobi - KSh	437,978	159,374	437,978	159,374
Bank of Baroda, Mumbai - INR	-	986,752	-	986,752
Bank of Baroda, Brussels - Euro	2,519,908	1,426,016	2,519,908	1,426,016
Bank of Baroda, New York - US Dollar	2,268,606	3,265,569	2,268,606	3,265,569
	6,292,990	**8,205,601**	**6,292,990**	**8,205,601**

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 USh '000	2021 UShs '000	2022 UShs '000	2021 UShs '000
15. Deposit and balances due from other financial institutions				
Due from banking institutions in Uganda	77,036,735	129,449,633	77,036,735	129,449,633
Due from other financial institutions outside Uganda				
Bank of Baroda, Tazania	18,950,946	17,834,083	18,950,946	17,834,083
Bank of Baroda, Mumbai	70,642,397	-	70,642,397	-
Bank of Baroda, London	39,946,500	42,638,197	39,946,500	42,638,197
Bank of Baroda, IFSC	55,862,682	35,482,003	55,862,682	35,482,003
Bank of Baroda New York	14,883,307	37,222,521	14,883,307	37,222,521
Standard Chartered Bank	1,794,280	3,451,591	1,794,280	3,451,591
Bank of Baroda, Kenya	3,752,777	10,635,118	3,752,777	10,635,118
	282,869,624	**276,713,146**	**282,869,624**	**276,713,146**
16. Loans and advances to customers				
Overdrafts	546,184,507	410,233,281	546,184,507	410,233,281
Term loans	565,613,749	543,359,160	565,613,749	543,359,160
	1,111,798,256	953,592,441	1,111,798,256	953,592,441
Impairment allowance	(21,976,295)	(11,467,358)	(21,976,295)	(11,467,358)
Interest in suspense	(770,987)	(28,833)	(770,987)	(28,833)
	1,089,050,974	**942,096,250**	**1,089,050,974**	**942,096,250**
Reconciliation of impairment allowance for loans and advances				
Opening balance	11,467,358	12,283,140	11,467,358	12,283,140
Impairment allowance	10,516,921	1,051,534	10,516,921	1,051,534
Amounts written off as uncollectable	(7,984)	(1,867,316)	(7,984)	(1,867,316)
	21,976,295	**11,467,358**	**21,976,295**	**11,467,358**

All impaired loans have been written down to their estimated recoverable amount. The aggregate carrying amount of impaired loans at December 31, 2022 was UShs 48,417 million (2021: UShs 39,655 million) on which provision of UShs 9,915 million (2021: UShs 5,731 million) is created.

Advances to customers include loans to employees of UShs 2,751 million (2021: UShs 2,151 million). The weighted average effective interest rate on local currency loans and advances to customers as at December 31, 2022 was 17.55% (2021:17.70%) and 8.23% (2021: 7.96%) 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, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Total**
At start of the year	4,724,450	1,012,289	5,730,619	11,467,358	335,922	11,803,280
(Credit) / charge to profit and loss	5,058,234	1,265,850	4,184,853	10,508,937	556,077	11,065,014
At the end of year	**9,782,684**	**2,278,139**	**9,915,472**	**21,976,295**	**891,999**	**22,868,294**
December 31, 2021						
At start of the year	7,875,174	2,090,770	2,317,196	12,283,140	6,762,215	19,045,355
Charge / (credit) 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**

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000
17. Other assets				
Other receivables	5,235,400	4,691,050	5,235,400	4,691,050
18. Tax paid				
Balance at beginning of the year	2,946,614	1,331,750	2,946,614	1,306,247
Current tax for the year recognised in profit or loss	(37,540,127)	(28,296,067)	(37,540,127)	(28,296,067)
Balance at end of the year	(364,885)	(2,946,614)	(364,885)	(2,946,614)
	(34,958,398)	**(29,910,931)**	**(34,958,398)**	**(29,936,434)**

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

Group	2022			2021		
	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	13,162,671	(9,349,360)	3,813,311	13,067,409	(8,901,969)	4,165,440
Furniture and fixtures	8,434,480	(5,762,316)	2,672,164	8,196,127	(5,580,589)	2,615,538
Motor vehicles	1,194,430	(1,090,759)	103,671	1,194,430	(1,063,314)	131,116
IT equipment	5,876,379	(4,220,806)	1,655,573	5,799,301	(3,827,702)	1,971,599
Right-of-use assets	15,076,867	(4,968,376)	10,108,491	15,076,867	(3,607,946)	11,468,921
Total	**52,444,827**	**(25,391,617)**	**27,053,210**	**52,034,134**	**(22,981,520)**	**29,052,614**

Bank	2022			2021		
	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	13,162,671	(9,349,360)	3,813,311	13,067,409	(8,901,969)	4,165,440
Furniture and fixtures	8,427,977	(5,755,813)	2,672,164	8,190,691	(5,575,153)	2,615,538
Motor vehicles	1,194,430	(1,090,759)	103,671	1,194,430	(1,063,314)	131,116
IT equipment	5,872,064	(4,216,491)	1,655,573	5,794,986	(3,823,387)	1,971,599
Right-of-use assets	15,076,867	(4,968,376)	10,108,491	15,076,867	(3,607,946)	11,468,921
Total	**52,434,009**	**(25,380,799)**	**27,053,210**	**52,024,383**	**(22,971,769)**	**29,052,614**

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000

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

Reconciliation of property, equipment and right-of-use assets - Group - 2022

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Freehold land	8,700,000	-	-	-	8,700,000
Buildings	4,165,440	95,263	-	(447,392)	3,813,311
Furniture and fixtures	2,615,538	442,466	(52,618)	(333,222)	2,672,164
Motor vehicles	131,116	-	-	(27,445)	103,671
IT equipment	1,971,599	264,809	-	(580,835)	1,655,573
Right-of-use assets	11,468,921	-	-	(1,360,430)	10,108,491
	29,052,614	**802,538**	**(52,618)**	**(2,749,324)**	**27,053,210**

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 - Bank - 2022

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Freehold land	8,700,000	-	-	-	8,700,000
Buildings	4,165,440	95,263	-	(447,392)	3,813,311
Furniture and fixtures	2,615,538	442,466	(52,618)	(333,222)	2,672,164
Motor vehicles	131,116	-	-	(27,445)	103,671
IT equipment	1,971,599	264,809	-	(580,835)	1,655,573
Right-of-use assets	11,468,921	-	-	(1,360,430)	10,108,491
	29,052,614	**802,538**	**(52,618)**	**(2,749,324)**	**27,053,210**

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**

2022 UShs '000
2021 UShs '000

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

Revaluations

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

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

The book values of properties were adjusted to the revaluations and the resultant surplus net of deferred income tax was credited to the revaluation reserve in shareholders equity.

20. Intangible assets

Group	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	534,387	(457,432)	76,955	534,750	(400,715)	134,035

Bank	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	534,387	(457,432)	76,955	534,750	(400,715)	134,035

Reconciliation of intangible assets - Group and Bank - 2022

	Opening balance	Amortisation	Closing balance
Computer software	134,035	(57,080)	76,955

Reconciliation of intangible assets - Group and Bank - 2021

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

21. Deferred tax liabilities

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%). The movement on the deferred income tax account is as follows:

Deferred tax assets (liabilities)	7,681,070	(2,072,389)	7,681,070	(2,072,389)

	Group		Bank	
	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000

21. Deferred tax liabilities (continued)

Reconciliation of deferred tax asset

	Group 2022	Group 2021	Bank 2022	Bank 2021
At beginning of year	(2,072,389)	2,198,427	(2,072,389)	2,178,683
Provisions	-	(343,363)	-	(343,363)
Leases	218,740	77,012	218,740	77,012
Derecognised deferred tax asset	-	(19,744)	-	-
Property and equipment	3,675	(49,882)	3,675	(49,882)
Fair value through other comprehensive income	7,100,135	(5,049,399)	7,100,135	(5,049,399)
Fair value through profit or loss	-	42,506	-	42,506
Impairment allowance	2,305,877	1,041,963	2,305,877	1,041,963
Unrealised foreign exchange differences	280,112	(147,219)	280,112	(147,219)
Revaluation reserve	168,444	177,310	168,444	177,310
Prior period adjustments	(323,524)	-	(323,524)	-
	7,681,070	**(2,072,389)**	**7,681,070**	**(2,072,389)**

22. Share capital

	Group 2022	Group 2021	Bank 2022	Bank 2021
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

23. Regulatory credit risk reserve

	Group 2022	Group 2021	Bank 2022	Bank 2021
Provision as per FI Act 2004 and as amended				
Specific provision	3,729,274	350,516	3,729,274	350,516
General provision	11,072,980	9,532,131	11,072,980	9,532,132
	14,802,254	**9,882,647**	**14,802,254**	**9,882,648**
Impairment allowance under IFRS 9	21,976,295	11,467,358	21,976,295	11,467,358
Regulatory credit risk reserve	**-**	**-**	**-**	**-**

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.

24. Customer deposits

	Group 2022	Group 2021	Bank 2022	Bank 2021
Current and demand accounts	312,798,253	268,498,394	312,798,254	268,498,396
Savings accounts	299,897,659	284,792,027	299,897,659	284,792,027
Time deposits	1,164,601,167	1,038,925,303	1,164,601,167	1,038,925,303
	1,777,297,079	**1,592,215,724**	**1,777,297,080**	**1,592,215,726**

25. Repurchase agreement and borrowed funds

	Group 2022	Group 2021	Bank 2022	Bank 2021
Bank of Uganda - Agriculture Credit Facility	8,725,514	9,065,722	8,725,514	9,065,722

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.

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000
26. Other liabilities				
Dividends payable	919,628	669,490	919,628	669,490
Bills payable	212,685	335,509	212,685	335,509
Uncleared effects	107,580	109,213	107,580	109,213
Impairment allowance on off-balance sheet (note 16)	891,999	335,922	891,999	335,922
Lease liabilities (note 32)	10,919,024	11,550,319	10,919,024	11,550,319
Other payables	26,176,143	17,982,927	26,176,143	17,982,927
Due to group companies	3,866	-	3,866	-
	39,230,925	**30,983,380**	**39,230,925**	**30,983,380**
27. Analysis of cash and cash equivalents				
Cash and balances with Bank of Uganda (note 12)	228,514,586	210,572,779	228,514,586	210,572,779
Cash reserve requirement	(170,960,000)	(122,620,000)	(170,960,000)	(122,620,000)
Government securities maturing within 90 days of the date of acquisition	284,126,553	270,448,935	284,126,553	270,448,935
Amounts due from overseas branches of parent company	6,292,990	8,205,601	6,292,990	8,205,601
Deposits and balances due from other financial institutions (note 15)	282,869,624	276,713,146	282,869,624	276,713,146
	630,843,753	**643,320,461**	**630,843,753**	**643,320,461**

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.

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000

28. 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 2022 UShs '000	Group 2021 UShs '000	Bank 2022 UShs '000	Bank 2021 UShs '000
Contingent liabilities				
Acceptances and letters of credit	68,188,148	80,822,768	68,188,148	80,822,768
Guarantees	47,573,246	28,267,243	47,573,246	28,267,243
Performance bonds	23,882,683	19,799,872	23,882,683	19,799,872
Contingents secured by cash collateral	32,556,563	27,648,344	32,556,563	27,648,344
	172,200,640	**156,538,227**	**172,200,640**	**156,538,227**
Commitments				
Undrawn formal stand-by facilities, credit lines and other commitments to lend	322,331,730	294,802,291	322,331,730	294,802,291
	494,532,370	**451,340,518**	**494,532,370**	**451,340,518**

Refer to note 26 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.

29. Related parties

Relationships	
Holding company	Bank of Baroda, India
Subsidiary	Baroda Capital Markets (Uganda) Limited
Affiliates	Bank of Baroda, India 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
Members of key management	Vastina Rukimirana Nsanze Raj Kumar Meena (up to March 15, 2023) Shashi Dhar (from March 16, 2023) Prithvi Singh Bhati Sempijja Thadeus Fred Kakongoro Muhumuza Odoch Charles Langoya Debadatta Chand (from September 13, 2022)

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000
29. Related parties (continued)				
Related party transactions				
Interest paid to related parties				
Baroda Capital Markets (Uganda) Limited	-	-	-	21,669
Rent received from related parties				
Baroda Capital Markets (Uganda) Limited	-	-	(12,000)	(11,000)
Administration fees paid to related parties				
Bank of Baroda, India	2,299,021	1,229,012	2,299,021	1,229,012
Key management compensation				
Non-Executive Directors	63,062	60,857	63,062	60,857
Executive Directors	490,063	481,918	490,063	481,918
Software expenses				
Bank of Baroda, India	221,746	-	221,746	-
Related party balances				
Due from group companies				
Bank of Baroda, India (BBB-)	-	986,752	-	986,752
Bank of Baroda, London (BBB-)	1,066,498	2,367,890	1,066,498	2,367,890
Bank of Baroda (Kenya) Limited, Kenya (Unrated)	437,978	159,374	437,978	159,374
Bank of Baroda, Brussels (BBB-)	2,519,908	1,426,016	2,519,908	1,426,016
Bank of Baroda, New York (BBB-)	2,268,606	3,265,569	2,268,606	3,265,569
Placements with group companies				
Bank of Baroda, India (BBB-)	70,642,397	-	70,642,397	-
Bank of Baroda, London (Unrated)	39,946,500	42,638,197	39,946,500	42,638,197
Bank of Baroda Tanzania Limited (Unrated)	18,950,946	17,834,083	18,950,946	17,834,083
Bank of Baroda IFSC (BBB-)	55,862,682	35,482,003	55,862,682	35,482,003
Bank of Baroda, New York (BBB-)	14,883,307	37,222,521	14,883,307	37,222,521
Bank of Baroda (Kenya) Limited, Kenya (Unrated)	3,752,777	10,635,118	3,752,777	10,635,118
Due to group companies				
Bank of Baroda, India (BBB-)	3,866	-	3,866	-
Other assets				
Baroda Capital Markets (Uganda) Limited	-	-	255,334	231,450

30. 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 outstanding.

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000

30. Earnings per share (continued)

	Group 2022	Group 2021	Bank 2022	Bank 2021
Profit attributable to equity holders - continuing operations	122,185,014	90,231,716	122,185,014	90,231,716
Profit attributable to equity holders - continuing and discontinued operations	122,195,966	90,048,784	122,185,014	90,231,716
Weighted average number of ordinary shares as at December 31, 2022	2,500,000	2,500,000	2,500,000	2,500,000
Basic and diluted earnings per share (UShs) - continuing operations	**48.87**	**36.09**	**48.87**	**36.09**
Basic and diluted earnings per share (UShs) - continuing and discontinued operations	**48.88**	**36.02**	**48.87**	**36.09**

31. Commitments

Authorised capital expenditure

There were no material commitments in both current year and prior year.

32. 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 2022	Group 2021	Bank 2022	Bank 2021
Minimum lease payments due				
- within one year	1,553,752	1,503,843	1,553,752	1,503,843
- in second to fifth year inclusive	5,853,560	5,865,995	5,853,560	5,865,995
- later than five years	6,243,449	7,301,373	6,243,449	7,301,373
	13,650,761	14,671,211	13,650,761	14,671,211
Less: future finance charges	(2,731,737)	(3,120,892)	(2,731,737)	(3,120,892)
Present value of minimum lease payments	**10,919,024**	**11,550,319**	**10,919,024**	**11,550,319**
Present value of minimum lease payments due				
- within one year	1,150,717	1,070,676	1,150,717	1,070,676
- in second to fifth year inclusive	4,594,222	4,492,877	4,594,222	4,492,877
- later than five years	5,174,085	5,986,766	5,174,085	5,986,766
	10,919,024	**11,550,319**	**10,919,024**	**11,550,319**
Movement in lease liabilities				
At the start of the year	11,550,319	11,704,101	11,550,319	11,704,101
Additions / renewals	-	2,577,673	-	2,577,673
Accrual of interest expense	442,020	413,458	442,020	413,458
Lease payments during the year	(1,552,850)	(1,559,674)	(1,552,850)	(1,559,674)
Lease modification	-	(1,352,026)	-	(1,352,026)
Foreign exchange differences	479,535	(233,213)	479,535	(233,213)
	10,919,024	**11,550,319**	**10,919,024**	**11,550,319**

Notes to the Consolidated and Separate Financial Statements

	Group		Bank	
	2022 UShs '000	2021 UShs '000	2022 UShs '000	2021 UShs '000

33. Events after the reporting period

Subsequent to the year end, on March 24, 2023 the shareholders of the Bank approved by way of Extraordinary General Meeting the issue of bonus equity shares in the ratio of 1:5 to the existing shareholders to increase the share capital of the Company from UShs 25,000,000 thousands to UShs 150,000,000 thousands as on set-off date March 24, 2023.

The management of the Group are not aware of any other material 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.

34. Comparative figures

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