Bank of Baroda (Uganda) Limited

Annual report and audited financial statements
for the year ended December 31, 2024

Corporate Information

Nature of business and principal activities Commercial banking services

Directors	Vastina Rukimirana Nsanze	Chairperson (up to August 17, 2024)
	Dr. Fred Kakongoro Muhumuza	Chairperson (up to November 21, 2024)
	Odoch Charles Langoya	Chairperson (Up to January 8, 2025)
	Rebecca Isabella Kiconco	Chairperson (from January 9, 2025)
	Sempijja Thadeus	Non-Executive Director (up to July 8, 2024)
	Nkerewe Alex	Non-Executive Director (from June 19, 2024)
	Lugalambi Susan	Non-Executive Director (from July 17, 2024)
	Robert Kamoga Tebasuulwa	Non-Executive Director (from December 31, 2024)
	Debadatta Chand	Non-Executive Director (up to February 12, 2024)
	Lalit Tyagi	Non-Executive Director (from February 5, 2024)
	Nishant Ranjan	Non-Executive Director (from March 27, 2024)
	Shashi Dhar	Managing Director
	Prithvi Singh Bhati	Executive Director
Board Credit Committee (BCC)	Robert Kamoga Tebasuulwa	Chairperson (from January 9, 2025)
	Odoch Charles Langoya	Chairperson (up to November 21, 2024)
	Nkerewe Alex	Member (from August 19, 2024)
	Lugalambi Susan	Member (from August 8, 2024)
		Member (from November 19, 2024)
	Rebecca Isabella Kiconco	Chairperson (up to January 9, 2025)
	Shashi Dhar	Managing Director
	Prithvi Singh Bhati	Executive Director
Board Audit Committee (BAC)	Sempijja Thadeus	Chairperson (up to July 8, 2024)
	Nkerewe Alex	Chairperson (from August 19, 2024)
	Odoch Charles Langoya	Member (up to November 21, 2024)
	Lugalambi Susan	Member (from August 19, 2024)
	Rebecca Isabella Kiconco	Member (from September 13, 2024 up to January 9, 2025)
	Robert Kamoga Tebasuulwa	Member (from January 9, 2025)
Board Risk Management & Information Technology/ Cyber Security Committee (BRMITCSC)	Robert Kamoga Tebasuulwa	Chairperson (from January 9, 2025)
	Odoch Charles Langoya	Chairperson (up to November 19, 2024)
	Sempijja Thadeus	Member (up to July 8, 2024)
		Member (from September 13, 2024)
	Rebecca Isabella Kiconco	Chairperson (from November 25, 2024 to January 9,2025)
	Nkerewe Alex	Member (from August 19, 2024)
	Lugalambi Susan	Member (from August 19, 2024)
	Shashi Dhar	Managing Director
	Prithvi Singh Bhati	Executive Director (from August 19, 2024)
Board Assets and Liabilities Committee (BALCO)		Chairperson (up to August 19, 2024)
	Odoch Charles Langoya	Member (up to November 19, 2024)
	Lugalambi Susan	Chairperson (from August 19, 2024)
	Nkerewe Alex	Member (from August 19, 2024)
	Rebecca Isabella Kiconco	Member (from September 13, 2024 up to January 9, 2025)
	Robert Kamoga Tebasuulwa	Member (from January 9, 2025)
	Shashi Dhar	Managing Director
	Prithvi Singh Bhati	Executive Director (from August 19, 2024)
Board Human Resource and Compensation Committee (BHRCC)	Odoch Charles Langoya	Chairperson (up to November 19, 2024)
	Sempijja Thadeus	Member (up to July 8, 2024)
	Lugalambi Susan	Member (from August 19, 2024) (Chairperson November 19, 2024)
	Nishant Ranjan	Member (from August 19, 2024)
	Robert Kamoga Tebasuulwa	Member (from January 9, 2025)
Board Nomination Committee (BNC)	Lugalambi Susan	Chairperson (from August 19, 2024)
	Odoch Charles Langoya	Member (up to November 19, 2024)
	Rebecca Isabella Kiconco	Member (from September 13, 2024 up to January 9, 2025)
	Nishant Ranjan	Member (from August 19, 2024)
	Robert Kamoga Tebasuulwa	Member (from January 9, 2025)
	Shashi Dhar	Managing Director

Corporate Information (Continued)

Board Environmental, Social and Governance Committee (BESGC)	Robert Kamoga Tebasuulwa	Chairperson
	Nkerewe Alex	Member
	Lugalambi Susan	Member
	Shashi Dhar	Managing Director
	Prithvi Singh Bhati	Executive Director

Registered Office
Plot 18, Kampala Road,
P. O. Box 7197
Kampala, Uganda

Company Secretary
Victor Karara Buringuriza
P. O. Box 7197
Kampala, Uganda

Independent Auditor
Ernst & Young
Certified Public Accountants
EY House, 18 Clement Hill Road
Shimoni Office
P. O. Box 7215
Kampala, Uganda

Principal Legal Advisor
H & G Advocates
P. O. Box 7026
Kampala, Uganda

Principal Correspondent Banks
Bank of Baroda
Mumbai Main Office
Vostro A/c Cell
2nd Floor, Mumbai Samachar Marg,
Mumbai - 400023

Standard Chartered Bank,3, Madison Avenue # 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

Tax Identification Number
1000025701

Corporate Information (Continued)

Head Office / Main Branch

Plot 18, Kampala Road
P.O Box 7197
Kampala, Uganda

Branches

Arua
KKT Plaza Plot 16-22, Duka Road
P.O. Box 1539, Arua
Arua, Uganda

Iganga
84A & 84B Main Street
P. O. Box 61
Iganga, Uganda

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

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

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

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

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

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

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

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

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

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

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

Mukono
Plot No 59-67, Jinja Road
P. O. Box 122
Mukono, Uganda

Kololo
Plot -31, Kira Road
Kampala, Uganda

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

Corporate Governance Statement

This Corporate Governance statement sets out the governance framework adopted by Board of Bank of Baroda (Uganda) Limited ("the Bank").

The Bank 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 Bank complied with all applicable laws, rules, regulations and guidelines on corporate governance.

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

Code and regulations

As a licensed commercial bank and listed 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 the Board's responsibility, which annually reviews and approves the compliance plan. On a quarterly basis, the Board 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 Board also reviews the significant interactions and correspondences with Bank of Uganda (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 society objectives.

Board charter and work plan

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

The work plan has a formal schedule of matters specifically reserved for the Board's attention to ensure it exercises full control over all significant matters. It sets out the schedule of meetings of the Board and its Board 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 (as amended).

The Board evaluates the performance of management in order to be satisfied as to the integrity and strength of financial information, controls and risk management. Through its Human Resource and Compensation 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.

Corporate Governance Statement (Continued)

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; 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 2024 is detailed below:

Name of Director	Q1	Q2	Q3	Q4
Vastina Rukimirana Nsanze	A	A	NM	NM
Fred Kakongoro Muhumuza	A	A	A	A
Sempijja Thadeus	A	A	NM	NM
Odoch Charles Langoya	A	A	A	A
Rebecca Isabella Kiconco	NM	NM	NM	A
Nkerewe Alex	NM	NM	A	A
Lugalambi Susan	NM	NM	A	A
Robert Kamoga Tebasuulwa	NM	NM	NM	NM
Debadatta Chand	NM	NM	NM	NM
Lalit Tyagi	A	A	A	A
Nishant Ranjan	NM	A	A	A
Shashi Dhar	A	A	A	A
Prithvi Singh Bhati	A	A	A	A

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

Separation of roles and responsibilities

The roles of the Chairperson and Managing Director are separate. The Chairperson'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. 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.

Board committees

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 has delegated authority to five principal Board Committees:

- Board Audit Committee (BAC)
- Board Credit Committee (BCC)
- Board Risk Management & Information Technology/Cyber Security Committee (BRMITCSC)
- Board Assets and Liabilities Committee (BALCO)
- Board Human Resources and Compensation Committee (BHRCC)
- Board Nomination Committee (BNC)
- Board Environmental, Social and Governance Committee (BESGC)

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

In addition, the Executive Committee, comprising the Managing Director and the 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.

Corporate Governance Statement (Continued)

Board Audit Committee

This Committee is constituted in accordance with the Financial Institutions Act, 2004 (as amended) which requires theBoard to appoint at least two Non-Executive Directors to the Committee. As per the law, the Board has appointed the members of the committee which is comprised solely of independent Non-Executive Directors. The role of this Committee is to assess the integrity and effectiveness of accounting, financial compliance and control systems. The committee has a constructive relationship with the internal audit function, which 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 Board 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
Sempiija Thadeus	A	A	NM	NM
Nkerewe Alex	NM	NM	A	A
Odoch Charles Langoya	A	A	A	A
Lugalambi Susan	NM	NM	A	A
Rebecca Isabella Kiconco	NM	NM	NM	A

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

Board Credit Committee (BCC)

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 Note 3 of the financial statements. 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	NM	NM
Odoch Charles Langoya	A	A	A	A
Nkerewe Alex	NM	NM	A	A
Lugalambi Susan	NM	NM	A	A
Rebecca Isabella Kiconco	NM	NM	NM	A
Shashi Dhar	A	A	A	A
Prithvi Singh Bhati	A	A	A	A

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

Board Human Resources and Compensation Committee (BHRCC)

The purpose of this committee is to attend to human capital and administrative matters within the Bank. The committeeoversees 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	NM	NM
Lugalambi Susan	NM	NM	-	A
Odoch Charles Langoya	A	A	A	A
Nkerewe Alex	NM	NM	A	A
Nishant Ranjan	NM	NM	A	A

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

Corporate Governance Statement (Continued)

Board Risk Management and Information Technology/ Cyber security 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
Rebecca Isabella Kiconco	N/M	N/M	N/M	A
Nkerewe Alex	N/M	N/M	A	A
Lugalambi Susan	N/M	N/M	A	A
Shashi Dhar	A	A	A	A
Prithvi Singh Bhati	N/M	A	A	A

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

Board Assets and Liabilities Committee (BALCO)

The Board Asset and Liability Committee ("BALCO") assists the Board by assessing the adequacy and monitoring the implementation, of 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 ALCO which reports on a quarterly basis to help the BALCO to fulfil its mandate, the main one of these being the management of assets and liabilities. BALCO is involved in management of treasury limits, approval 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
Lugalambi Susan	N/M	N/M	A	A
Odoch Charles Langoya	A	A	A	A
Nkerewe Alex	N/M	N/M	A	A
Rebecca Isabella Kiconco	N/M	N/M	N/M	A
Shashi Dhar	A	A	A	A
Prithvi Singh Bhati	N/M	N/M	A	A

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

Board Nomination Committee (BNC)

The Board Nomination Committee (BNC) plays a vital role in shaping the bank's leadership and governance. Its core responsibility is to identify, vet, and recommend qualified individuals for election or appointment to the Board of Directors. This involves establishing and managing a transparent process for identifying potential candidates, taking into account factors such as their expertise in banking and finance, strategic thinking abilities, understanding of risk management, and commitment to ethical conduct.

The committee likely also considers diversity in terms of skills, experience, and background to ensure a well-rounded and effective board. Beyond new appointments, the committee is typically responsible for evaluating the performance of existing directors and recommending their re-election.

Name of Director	Q1	Q2	Q3	Q4
Vastina Rukimirana Nsanze	-	-	NM	NM
Fred Kakongoro Muhumuza	-	-	NM	NM
Sempiija Thadeus	-	-	NM	NM
Lugalambi Susan	NM	NM	-	A
Nkerewe Alex	NM	NM	-	A
Odoch Charles Langoya	-	-	-	A
Rebecca Isabella Kiconco	NM	NM	-	A
Nishant Ranjan	NM	NM	-	A

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

Corporate Governance Statement (Continued)

Company secretary

The role of the Company 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 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 is regularly reviewed by senior management.

Directors' remuneration

The remuneration of all Directors is subject to regular monitoring to ensure that levels of remuneration are appropriate. Information on the remuneration received and dealings of the Directors with the Bank are included in Note 29 to the financial statements.

Non-executive Directors receive a fee for their service on the Board and a meeting attendance fee for Board Committee meetings. 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 Resources and Compensation Committee periodically reviews the fees paid to Non-executive Director 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 throughoutthe year.

Relations with shareholders

The Board recognizes the importance of good communication with all shareholders. The Annual General Meeting (AGM) and the published annual reports are used as opportunities to communicate with all shareholders. The Bank gives shareholders 21 days' notice of the AGM as provided for in the Companies Act Cap.106, of Uganda.

______________________________	______________________________
Rebecca Isabella Kiconco	**Shashi Dhar**
Chairperson	**Managing Director**

____
Prithvi Singh Bhati
Executive Director

_______________2025
Kampala, Uganda

Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of Bank of Baroda (Uganda) Limited ("the Bank'') for the year ended December 31, 2024 which disclose the state of affairs of the Bank. Baroda Capital Markets (U) Limited was dissolved on 29th November 2024.

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 (as amended) to conduct commercial banking business.

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

2. Share capital

The Bank has complied with the minimum capital requirement of UShs 150 billion through creation of additional 12.5 billion new ordinary shares of UShs 10 each through issuance of bonus shares in the ratio of 1:5 to the existing shareholders. The additional issued capital amounting to UShs 125 billion was transferred from the Bank's retained earnings to the paid-up share capital. Consequently, the Bank is compliant with the regulatory minimum capital requirement of Ushs 150 billion which is effective by 30 June 2024 as per the Financial Institutions (Revision of Minimum Capital Requirements) Instrument, 2022. The additional shares of 12.5 billion were transferred to all the eligible shareholders' accounts and the were listed on the Uganda Securities Exchange main exchange.

	2024	2023
Authorised	**Number of shares**	
Ordinary shares	15,000,000,000	15,000,000,000

	2024	2023	2024	2023
Issued and paid-up share capital	**UShs '000**	**UShs '000**	**Number of shares**	
Ordinary shares	150,000,000	150,000,000	15,000,000,000	15,000,000,000

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

3. Financial risk management objectives and policies

The Bank'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 Bank's overall risk management programme focuses on the acceptable level of risk and the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. Trading limits are set for the trading book to contain losses within a prescribed amount in the event of adverse price movements.

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

4. Directorate

The directors who held office during the year and to the date of this report were as follows:

Directors	Nationality	Changes
Vastina Rukimirana Nsanze	Ugandan	Completed Tenure August 19, 2024
Dr. Fred Kakongoro Muhumuza	Ugandan	Completed Tenure on November 21, 2024
Odoch Charles Langoya	Ugandan	Completed Tenure on January 8, 2025
Rebecca Isabella Kiconco	Ugandan	Appointed September 13, 2024
Sempijja Thadeus	Ugandan	Completed Tenure on July 8, 2024
Nkerewe Alex	Ugandan	Appointed on June 19, 2024
Lugalambi Susan	Ugandan	Appointed on July 17, 2024
Robert Kamoga Tebasuulwa	Ugandan	Appointed on December 31, 2024
Debadatta Chand	Indian	Resigned on February 12, 2024
Lalit Tyagi	Indian	Appointed on February 5, 2024
Nishant Ranjan	Indian	Appointed on March 27, 2024
Shashi Dhar	Indian	N/A
Prithvi Singh Bhati	Indian	N/A

Directors' Report (Continued)

5. Directors' interests in shares

As at December 31, 2024, Shashi Dhar held 7,500 ordinary shares of the Bank. However, the Director holds those shares non-beneficially on behalf of the parent company.

6. Directors' benefits

During the period since the last Annual General Meeting of the members of the Bank to the date of this report, no Director has received or become entitled to receive any benefit other than Directors' fees or amounts/allowances received under employment contracts for Executive Directors. The emoluments for Directors' services rendered during the financial year are disclosed in 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.

7. Capital adequacy

The Bank monitors the adequacy of its capital using ratios stipulated in the Financial Institutions Act, 2004 (as amended) and the related regulations. 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 100% risk weighting which means that these assets 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 to the financial statements.

8. Operating and regulatory environmentOperating environment

Economic growth is expected to increase between 6% and 8% in the medium term and domestic monetary conditions are still tight with current investment activities in the oil and gas sector, resilient remittances and tourism inflows expected to support economic growth.

Exchange rates

The Uganda Shilling (UShs) remained relatively stable against the US dollar during the year and strengthened at year-end. This was 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 UShs was 5.9 percent weaker. The USD to UShs foreign exchange rate was 3,813 in January 2024 while the average for the year was 3,695 and closing rate at 31 December 2024 was 3,751.

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 local regulation environment. The specific harmonization around the East African Community (EAC) partner states on various areas of regulation is also expected to increase. In orderto ensure compliance with all key external legislation. The Bank has scaled up the capacity and capability in the Compliance function that provides oversight and guidance on compliance matters. However, more importantly, management has 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 six core values of the Bank and having this message of individual accountability well understood across the Bank. Management continues to ensure that the Bank's standing with the regulators remains strong.

Directors' Report (Continued)

9. 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 a high standard of transparency and accountability, professionalism and social responsiveness with improved customer focus to maintain a value driven Organization.

10. 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. During the year 2024, the Bank recruited 3 Officers (i.e. 1 Company Secretary and 2 IT Officers), and 14 Banking Assistants and 5 Office Assistant/Drivers. A promotion exercise was also conducted where 5 Clerks (Banking Assistants) were promoted to Supervisor cadre from the wait list.

11. Information technology

The Bank has continued to revolutionize banking through investments in various technological advancements in order to embrace the emerging technologies and challenges posed by cybersecurity and cyber-attacks and at the same time invested in new processes aimed at enhancing user experience. Built on our firm foundation, the bank continues to leverage on our well-established IT infrastructures to provide top-notch services to our rapidly growing mobile phone subscribers and high-tech customers who desire cutting edge service delivery. In this, the Bank has integrated our systems to foster multi-integrations in-order to serve our customers through multiple channels i.e the Shared Agent Banking platform, our digital cash on mobile feature providing our customers an opportunity to withdraw cash at our ATM points without necessary having to carry a physical ATM cards. Amongst other innovation initiated, the bank aims at providing secure, robust and user-friendly features for our customer convenience.

12. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting period which requires adjustments to or disclosure in the financial statements.

13. Discontinued operations

Baroda Capital Markets (Uganda) Limited's shareholders approved a plan of voluntary winding up of the company on March 17, 2021 as per Section 268 of the Companies Act Cap. 106, of Uganda. Consequently, the Company was dissolved on 29th November 2024.

14. Independent auditor

Ernst & Young, being eligible for reappointment, has expressed willingness to continue in office in accordance with Section 167(2) of the Companies Act, Cap.106 of Uganda. Ernst & Young was duly approved as the Bank's auditor by Bank of Uganda in accordance with Section 62 of the Financial Institutions Act, 2004 (as amended).

15. Secretary

The Company Secretary is Victor Karara Buringuriza of:

Business address:
P. O. Box 7197
Kampala, Uganda

Directors' Report (Continued)

16. Dividends

During the year 2024, the dividend (for the year 2023) at UShs 2 per share amounting to UShs 30 billion was paid. During the year 2023, the dividend (for the year 2022) at UShs 2 per share amounting to UShs 30 billion was paid.

The Directors recommend the approval of a dividend for the year ended 31 December 2024 of UShs 60 billion or UShs 4 per share.

17. Approval of the financial statements

The annual report and the financial statements were approved by the Board of Directors on ________________________ 2025.

By Order of the Board,

____
Karara Victor Buringuriza
Company Secretary

____________________2025
Kampala, Uganda

Directors' Responsibilities and Approval

The Directors are required, in terms of the Companies Act, Cap.106 and the Financial Institutions Act, 2004 (as amended) to maintain adequate accounting records and are responsible for the content and integrity of the annual report and the financial statements. It is the Directors' responsibility to ensure that the annual report and financial statements fairly present the state of financial affairs of the Bank 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 IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, Cap.106 and Financial Institutions Act, 2004 (as amended).

The annual report and financial statements of Bank of Baroda (Uganda) Limited are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, Cap.106 and Financial Institutions Act, 2004 (as amended), and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The independent auditor was provided 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 tothe independent auditor during the audit are valid and appropriate.

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

The Tax Procedures Code Act Cap. 343 requires a taxpayer with an annual turnover of UShs 500 million to furnish, with the taxpayer's return of income, audited financial statements prepared by an accountant registered by the Institute of Certified Public Accountants of Uganda (ICPAU). The financial statements are prepared by the Company accountant with the oversight of the directors.

Preparation and approval of the financial statements

The accountant who prepared these financial statements is CPA Nabakka Saidah– ICPAU FM3149:

____
Nabakka Saidah
Accountant

The annual report and financial statements were approved by the Board of Directors on ____________________2025 and were signed on its behalfby:

____________________________	____________________________
Rebecca Isabella Kiconco	**Shashi Dhar**
Chairperson	**Managing Director**

____
Prithvi Singh Bhati
Executive Director

_______________2025
Kampala, Uganda

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BANK OF BARODA (UGANDA) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank of Baroda (Uganda) Limited (''the Bank'') set out on pages 20 to 73, which comprise of the statements of financial position as at 31 December 2024, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act Cap.106, the Financial Institutions Act, 2004 (as amended) and the Financial Institutions Regulations, of Uganda.

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 Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements of the Bank and 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 of the Bank and in Uganda. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Determination of expected credit losses on loans and advances to customers</td></tr>
<tr><td>As disclosed in Note 16 to the financial statements, as at 31 December 2024, the Bank had an allowance for expected credit losses of Ushs 22 billion (2023: Ushs 13 billion) charged on gross loans and advances to customers of Ushs 1,478 billion (2023: Ushs 1,258 billion). The related charge for the year to profit or loss was Ushs 9.7 billion (2023: charge of Ushs 9.6 billion) as disclosed in Note 16 to the financial statements. The expected credit losses are based on a forward-looking approach that recognises impairment loss allowances in accordance with IFRS 9 Financial Instruments.

The estimation of expected credit losses requires the Bank to make significant judgements in the consideration of the following variables:

• Allocation of loans to stages 1, 2 and 3 in accordance with IFRS 9 based on:

- Credit exposures for which there has been a significant increase in credit risk since initial recognition, and for which a loss allowance is recognised over the remaining life of the exposure (lifetime ECL); and

- Credit exposures for which there has been no significant increase in credit risk, and for which a loss allowance is recognised for default events that are possible within the next 12-months (12-month ECL).

• Classification of loans and advances to customers into portfolios based on shared common characteristics.

• Assessment of the Probability of Default (PD) and the Loss Given Default (LGD).

• The application of historical and forward-looking information, including macro-economic factors in the assessment of the PD.

• Assessment and forecasting of expected future cash flows from impaired (stage 3) loans and advances to customers including assessing the financial condition of the counterparty, estimating recoverability of the cash flows and collateral realisation.

• Consideration of the impact on default rates of correlated forward looking macroeconomic factors.</td><td>Our audit procedures included, but were not limited to:

• Obtaining an understanding of management's process and controls over credit origination, credit monitoring, credit remediation and expected credit loss modelling. This included understanding the governance over the credit models and related management overlay adjustments and evaluating that the ECL models were in accordance with the IFRS 9 principles.

• For non-performing loans (NPLs or Stage 3) ECL models:

- We tested the completeness of the NPLs identified by management by inspecting the loan register that all loans meeting the NPL criteria are included in the schedule of NPLs. For credit classifications based on subjective criteria, we evaluated the appropriateness of the factors considered by management.

- We understood the ECL models and the key inputs and selected a sample for testing, taking into consideration both quantitative and qualitative factors. The quantitative factors were primarily based on our materiality while the qualitative factors considered aspects such as facilities watch-listed by management, nonperforming borrowers known from publicly available information and borrowers in sectors that are not performing as expected.

- For the selected sample of NPLs, we inspected the related loan files and evaluated that the inputs in the ECL models agreed to the supporting documentation in the files. Inputs considered included interest rates which are used as the discount factors, outstanding loan balances which are the basis for determining the LGD, value of the collateral held which is the basis for expected cash flows from loans to be recovered through foreclosure.

- We evaluated whether the basis for determining the expected net cash flows from the loans was reasonable in the circumstances. This included evaluating that expected cash flows based on foreclosure are based on the collateral Forced Sale Values as determined by the external valuer and as adjusted by appropriate haircuts, or as otherwise justified by management, including reflecting available supportable information which reflects borrower specific and/or current market conditions. For cash flows expected from repayments by the borrowers, we evaluated that they were supported by enforceable commitments and evidence of source of cash to be used by the borrower to repay the loans.

- We evaluated whether the expected timing of the cash flows was reasonably supported considering the information available to the Bank without undue cost and effort. This included considering past experience of the time it takes to</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (Continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
• Expected utilisation of overdraft and other lending commitments over the lifetime of the commitments.	complete a foreclosure including factors such as the time required to complete relevant legal processes as adjusted for changes in the business environment.
• Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss model.	- We evaluated whether necessary adjustments to the expected cash flows were considered including a reasonable estimate of the costs expected to be incurred to realise the expected cash flows.
Due to the significance of the amounts, and the significant judgements and related estimation uncertainty involved, the assessment of ECLs on loans and advances to customers has been considered a key audit matter. The complexity of these estimates requires management to prepare financial statement disclosures explaining the key judgments and the key inputs into the ECL computations.	• For Stage 1 and 2 ECL models, the ECL balances determined by management were evaluated by assessing whether they were within the range of estimates recomputed using available inputs and validated information produced by the Bank. This included evaluating that inputs into the ECL models like the loan balances used agreed to the general ledger and that there were no duplicated or omitted loan facilities and management overlay adjustments were in line with the Bank's policy.
The disclosures in Notes 1.2, 1.15 and 3 to the financial statements provide information about the Bank's ECL models and the related accounting policies, key assumptions and judgements.	Assessed whether disclosures made in the financial statements agreed to the audited balances and information, and whether they were in accordance with IFRS 9.

Other Information

The directors are responsible for the other information. The other information comprises the information included on pages 2 to 14, which includes the Corporate Information, Corporate Governance Statement, Directors' Report as required by the Companies Act Cap.106, of Uganda and the Statement of Directors' Responsibilities and Approval, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, Cap.106, the Financial Institutions Act, 2004 (as amended) and the Financial Institutions Regulations of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (Continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 Bank'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 Bank'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 (Continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, Cap. 106 of Uganda, we report to you, based on our audit, that:

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

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

iii. The Bank's statements of financial position and the 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 Julius Rwajekare – P0307.

…………………………………..
Ernst & Young
Certified Public Accountants
Kampala, Uganda

………………………….
CPA Julius Rwajekare
Partner

……..March 2025

Statement of Profit or Loss and Other Comprehensive Income

	Note	2024 UShs'000	2023 UShs'000
Continuing operations			
Interest income calculated using the effective interest method	5	312,745,111	263,042,344
Interest expense calculated using the effective interest method	6(a)	(115,978,357)	(85,176,799)
Other interest and similar expense	6(b)	(379,500)	(403,346)
Net interest income		196,387,254	177,462,199
Non-interest income	7	35,078,768	34,526,871
Operating expenses	8	(49,120,908)	(48,687,891)
Expected credit losses	16	(9,701,272)	(9,553,025)
Profit before tax		**172,643,842**	**153,748,154**
Income tax charge	10(a)	(38,690,624)	(37,381,989)
Profit for the year		**133,953,218**	**116,366,165**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax)			
Fair value (loss)/ gain on investment in government securities at FVTOCI (net of tax)		(5,255,513)	10,418,724
Reclassified to profit or loss of fair value differences on investments in government securities at FVTOCI (net of tax)		(227,820)	(2,973,492)
Net other comprehensive (loss)/ gain that may be reclassified to profit or loss in subsequent periods, net of tax	**13**	**(5,483,333)**	**7,445,232**
Other comprehensive income that will not be reclassified to the income statement			
Gain on revaluation of property, net of tax	20	-	6,944,252
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax		**-**	**6,944,252**
Other comprehensive (loss)/ income for the year, net of tax		**(5,483,333)**	**14,389,484**
Total comprehensive income for the year, net of tax		**128,469,885**	**130,755,649**
Earnings per share			
Basic and diluted earnings per share	30	8.93	7.76

The notes on pages 24 to 73 are an integral part of these financial statements.

Statement of Financial Position as at December 31, 2024

	Note	2024 USh '000	2023 UShs '000
ASSETS			
Cash and balances with Bank of Uganda	12	198,984,257	215,775,055
Investment in government securities	13	971,761,128	874,105,477
Due from group companies	14	3,824,254	2,626,525
Deposit due from other banks	15	409,569,749	424,676,491
Loans and advances to customers	16	1,447,004,620	1,239,882,695
Other assets	17	7,071,198	6,539,911
Current income tax recoverable	10(c)	1,837,183	1,766,456
Intangible assets	19	38,789	39,489
Property, equipment and right-of-use assets	20	34,258,975	36,438,472
Deferred tax asset	21	8,596,043	2,937,775
Disposal group assets	11	-	40,000
TOTAL ASSETS		**3,082,946,196**	**2,804,828,346**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	150,000,000	150,000,000
Revaluation reserve		13,089,250	13,778,158
Fair value reserve		(10,489,176)	(5,005,843)
Proposed dividend		60,000,000	30,000,000
Retained earnings		595,016,070	520,078,698
Total equity		**807,616,144**	**708,851,013**
Liabilities			
Customer deposits	24	2,204,853,439	2,024,941,979
Borrowed funds	25	18,903,359	14,322,590
Other liabilities	26	51,573,254	56,712,764
Total liabilities		**2,275,330,052**	**2,095,977,333**
TOTAL EQUITY AND LIABILITIES		**3,082,946,196**	**2,804,828,346**

The financial statements were approved and authorised for issue by the Board of Directors on ____________________ 2025 and were signed on its behalf by:

____
Rebecca Isabella Kiconco
Chairperson

____
Shashi Dhar
Managing Director

____
Prithvi Singh Bhati
Executive Director

____
Karara Victor Buringuriza
Company Secretary

The notes on pages 24 to 73 are an integral part of these financial statement.

Statement of Changes in Equity

		Share capital UShs '000	Regulatory credit risk reserve UShs '000	Revaluation reserve UShs '000	FVTOCI reserve UShs '000	Proposed dividend UShs '000	Retained earnings UShs '000	Total equity UShs '000
Balance at January 1, 2023		**25,000,000**	**-**	**7,467,700**	**(12,451,075)**	**25,000,000**	**564,902,257**	**609,918,882**
Profit for the year		-	-	-	-	-	116,366,165	116,366,165
Other comprehensive income		-	-	6,944,252	7,445,232	-	-	14,389,484
Total comprehensive income for the year, net of tax		**-**	**-**	**6,944,252**	**7,445,232**	**-**	**116,366,165**	**130,755,649**
Issue of bonus shares	22	125,000,000	-	-	-	-	(125,000,000)	-
Bonus issue expenses	22	-	-	-	-	-	(2,095,145)	(2,095,145)
Dividend paid	22	-	-	-	-	(25,000,000)	(5,000,000)	(30,000,000)
Dividend proposed	22	-	-	-	-	30,000,000	(30,000,000)	-
Total transactions with owners of the Bank		**125,000,000**	-	**-**	**-**	**5,000,000**	**(162,095,145)**	**(32,095,145)**
Transfer of excess depreciation on revaluation (net of tax)		-	-	(633,794)	-	-	633,794	-
Deferred tax impact on transfer of excess depreciation	21	-	-	-	-	-	271,627	271,627
Balance at December 31, 2023		**150,000,000**	-	**13,778,158**	**(5,005,843)**	**30,000,000**	**520,078,698**	**708,851,013**
Balance at January 1, 2024		**150,000,000**	**-**	**13,778,158**	**(5,005,843)**	**30,000,000**	**520,078,698**	**708,851,013**
Profit for the year		-	-	-	-	-	133,953,218	133,953,218
Other comprehensive income		-	-	-	(5,483,333)	-	-	(5,483,333)
Total comprehensive income for the year, net of tax		**-**	**-**	**-**	**(5,483,333)**	**-**	**133,953,218**	**128,469,885**
Dividend paid	22	-	-	-	-	(30,000,000)	-	(30,000,000)
Dividend proposed	22	-	-	-	-	60,000,000	(60,000,000)	-
Total transactions with owners of the Bank		**-**	-	**-**	**-**	**30,000,000**	**(60,000,000)**	**(30,000,000)**
Transfer of excess depreciation on revaluation (net of tax)		-	-	(688,908)	-	-	688,908	-
Deferred tax impact on transfer of excess depreciation	21	-	-	-	-	-	295,246	295,246
Balance at December 31, 2024		**150,000,000**	-	**13,089,250**	**(10,489,176)**	**60,000,000**	**595,016,070**	**807,616,144**

The notes on pages 24 to 73 are an integral part of these financial statements.

Statement of Cash Flows

	Note	2024 USh '000	2023 USh '000
Operating activities			
Interest receipts		300,069,203	217,142,591
Interest payments		(110,087,342)	(69,455,968)
Net fees and commission receipts		21,184,377	10,417,615
Other income received		6,495,943	6,903,195
Recoveries on loans previously written off	7	16,910,534	14,666,703
Payments to employees and suppliers		(74,833,028)	(20,845,015)
Unrealised exchange foreign loss		(36,647)	(2,724,880)
Dividend received	11	-	432,556
Changes in working capital items:			
Increase in loans and advances to customers		(197,420,653)	(141,278,696)
Increase in cash reserve requirement		(26,820,000)	(7,970,000)
Increase in investments in government securities maturing after 3 months		(27,385,669)	(286,144,659)
Increase in other assets		(531,287)	(1,304,511)
Increase in customer deposits		179,911,460	247,644,899
Increase in borrowed funds		4,580,769	5,597,076
(Decrease)/increase in other liabilities		(5,139,510)	17,481,839
		86,898,150	**(9,437,255)**
Interest paid on lease	32	(227,705)	(244,989)
Income tax paid	18	(41,774,373)	(39,935,560)
Net cash flows from/(used in) operating activities		**44,896,072**	**(49,617,804)**
Investing activities			
Purchase of intangible assets	19	(3,000)	(8,400)
Purchase of property and equipment, excluding right-of-use assets	20	(796,204)	(2,341,408)
Proceeds from disposal of equipment		36,956	47,636
Net cash flows used in investing activities		**(762,248)**	**(2,302,172)**
Financing activities			
Dividends paid	22	(30,000,000)	(30,000,000)
Costs paid on bonus share issue	22	-	(2,095,145)
Lease payments - principal	32	(1,420,300)	(1,310,776)
Net cash flows used in financing activities		**(31,420,300)**	**(33,405,921)**
Net increase/(decrease) in cash and cash equivalents		**12,713,524**	**(85,325,897)**
Cash and cash equivalents at 1 January		548,242,735	630,843,752
Effect of exchange rate differences		36,647	2,724,880
Cash and cash equivalents at 31 December	**27**	**560,992,906**	**548,242,735**

The notes on pages 24 to 73 are an integral part of these financial statements.

Notes to the 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 its 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 headquartered 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,P. O. Box 7197
Kampala, Uganda

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

Following dissolution of Baroda Capital Markets (Uganda) Limited ("the subsidiary") on 29th November 2024, the Bank has since ceased to prepare consolidated financial statements as required by the accounting standards.

1. Material accounting policies

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

1.1 Basis of preparation and Statement of Compliance.

The financial statements have been prepared on the going concern basis in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRSs") and in the manner required by the Companies Act Cap. 106, of Uganda and the Financial Institutions Act, 2004 (as amended), and the Financial Institutions Regulations of Uganda.

The 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 Bank'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 those applied in the previous period as the IFRS pronouncements affective during the year did not have a significant impact on the Bank's financial statements and the Bank has not early adopted any new IFRS pronouncement issued but not yet effective.

1.2 Material accounting judgements, estimates and assumptions

The preparation of 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.

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

Key judgements and sources of estimation uncertainty

Going concern

The Bank's directors have made an assessment of its ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

1.2 Material accounting judgements, estimates and assumptions (continued)

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The Bank's regularly reviews the ECL models in the context of actual loss experience and adjust when necessary.

The impairment allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Bank uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Bank'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 Bank considers 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 Bank'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 have similar risk characteristics, statistical estimates and techniques are used. These techniques use models which analyze sector wise historical repayment and default rates over a period of five years. Further judgement is required to determine whether the current economic climate, behavioral and credit conditions are such that the actual level of incurred losses, and losses inherent in the collective portfolio is likely to be greater or less than historical experience, and is not fully reflective in the allowance estimated through the use of statistical models and historical data.

The 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.

Refer to Note 3 for further information on determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Further details about determination of fair value are included in Notes 1.15 and 3.

1.2 Material accounting judgements, estimates and assumptions (continued)

Effective Interest Rate (EIR) method

The Bank's EIR method recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well expected changes to the Bank's base rate and other fee income/expense that are integral parts of the instrument. Refer to Note 1.15 for further information on the Bank's policy.

Deferred tax assets

Deferred tax assets are recognised in respect of income tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies. Refer to Note 1.14 and 21 for further information on recognition of deferred tax assets.

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Bank's functional currency).The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments. Refer to Notes 1.13 and 32 for further disclosures on leases.

Revaluation of land and buildings

The Bank measures freehold land and buildings at revalued amounts, with changes in fair value being recognised in OCI. These assets are valued by reference to transactions involving properties of a similar nature, location and condition. The Bank engaged an independent valuation specialist to assess the values for the assets. Further disclosures on the revalued assets are included in Notes 1.8 and 20.

Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in some litigation and regulatory assessments, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in the financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

Further disclosures on contingent liabilities are included in Note 31.

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Further disclosures on lease liabilities are included in Note 32.

1.2 Material accounting judgements, estimates and assumptions (continued)

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

Management reviews the useful lives and residual values of the items of property, equipment and right-of-use assets on a regular basis. This process involves judgement. When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Taxation

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

Refer to Note 10 for further information on taxation.

1.3 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 Bank 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 Bank will retain a non-controlling interest in its former subsidiary after the sale.

1.4 Revenue

Recognition of interest income and interest expense

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

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank 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 Bank 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 thereforeregarded as ‘Stage 3’, The Bank 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 Bank reverts to calculating interest income on a gross basis.

Fees and commission on financial services

The Bank 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 Bank expects to be entitled in exchange for providing the services.

1.4 Revenue (continued)

The Bank 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 Bank 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 Bank adjusts market rates in response to the market demand and supply of the respective foreign currencies. The Bank also offers several other services, including payment services and other bill payment services, for which incomeis impacted by similar factors.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception ofthe contract. The Bank's revenue contracts do not typically include multiple performance obligations. When the Bank 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 Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferringthem to the customer.

Contract balances
The following are recognised in the statement of financial position arising from revenue from contracts with customers:

- Fees and commissions receivables included under 'Other assets', which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.

1.5 Loan processing fees

The Bank amortises loan processing fees over the life of the financial asset.

1.6 Brokerage fees

The Bank buys and sells government securities on behalf of its customers and receives a fixed commission for each transaction. The Bank'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.

1.7 Net trading and other income

'Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences, for financial assets and financial liabilities held for trading.

1.8 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 Bank, 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 freehold land 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 Bank. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset ifits 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.

Notes to the Financial Statements (Continued)

1.8 Property, equipment and right-of-use assets (Continued)

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	Shorter of the lease term and useful life

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 ofthe 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 anotherasset.

All assets in the same category are revalued every 5 years.

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.

1.9 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Nature of intangible assets	Useful life
Computer software	3 years

An item of intangible assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised profit or loss when the asset is derecognised.

1.10 Cash and cash equivalents

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, government securities and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Uganda.

Cash and cash equivalents are initially measured at fair value and subsequently carried at amortised cost.

1.11 Translation of foreign currencies

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

A foreign currency transaction is recorded, on initial recognition in UShs, 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 periods are recognised in profit or loss in the period in which they arise.

1.12 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 increasetheir 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 makesuch payments as a result of past performance.

Defined contribution plan
The Bank 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 Bank pays a fixed contribution to a separate entity. The Bank has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employeesthe 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 Bank and employees.

The Bank's contributions to the defined contribution scheme are charged to profit or loss in the year to which they fall due.

1.13 Leases

At the inception of the contract, the Bank 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. Toassess whether contract covers the right to control the use of an identified assets, the Bank assesses whether;
- the contract involves the use of an identified assets – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the periodof use; and
- the Bank has the right to direct the use of the asset. The Bank 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 howand for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
  - > the Bank has the right to operate the asset; or
  - > the Bank 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 Bank 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 andbuildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

1.13 Leases (Continued)

As a lessee
The Bank recognises a right-of-use asset and a lease liability 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 earlierof 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-useassets 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 Bank's incremental borrowing rate. Generally, the Bank 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 Bank is reasonably certain to exercise, lease payments in an operational renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for earlytermination of a lease unless the Bank 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 Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank 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 Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases asan expenses on a straight-line basis over the lease term.

1.14 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 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.

1.14 Tax (continued)

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 respectof 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 all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

1.15 Financial instruments

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., phases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

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

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business modelfor managing the instruments. Financial instruments are initially measured at their fair value and in the case of financial assets and financial liabilities not recorded at FVPL, transaction costs are added to or subtracted from the amount. When the fair value of financial instruments at initial recognition differsfrom the transaction price, the bank accounts for the Day 1 profit or loss as described below.

Day 1 profit or loss

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 Bank 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 Bank classifies and measures its trading portfolio at FVTPL and also may designate financial instruments at FVTPL, 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 FVTPL if they are derivative instruments or when they are held for trading or the fair value designation is applied.

1.15 Financial instruments (continued)

Determination of fair value

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

Level 1: Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank 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: 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 Bank will classify the instruments as Level 3.

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

The Bank 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 Bank's assets and liabilities such as credit risk, own credit and/or funding costs. Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments. The Bank 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 Bank 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 at amortized cost

The Bank measures financial assets at amortised costonly 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 contractualcash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principaland interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages Banks of financial assets to achieveits business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) andthe way those risks are managed; and

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

The expected frequency, value and timing of sales are also important aspects of the Bank'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 Bank'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.

1.15 Financial instruments (continued)

The SPPI test

As a second step of its classification process, the Bank 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 Bank 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 FVTPL.

Debt instruments at FVOCI

The Bank 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 flowsand selling financial assets.
- The contractual terms of the financial asset meet the SPPI test

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

Financial guarantees, letters of credit and undrawn loan commitments

The Bank 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, theBank'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, theBank 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 ofthese instruments together with the corresponding ECL are disclosed.

Reclassification of financial assets and liabilities

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in two categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Bank's financial assets at amortised cost includes investments in government securities, loans and advances, and deposits due from other banks.

1.15 Financial instruments (continued)

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Bank's debt instruments at fair value through OCI includes investments in government securities.

Financial liabilities at amortised cost

This is the category most relevant to the Bank. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.
This category mainly generally applies to other financial liabilities, borrowed fundsinterest-bearing loans and borrowings and customer deposits.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions
The Bank 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 originatedcredit impaired (POCI).

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

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

For financial liabilities, the Bank 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 Bank of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

- The Bank 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 infull without material delay to a third party under a 'pass–through' arrangement

1.15 Financial instruments (continued)

Financial assets (continued)

Pass-through arrangements are transactions whereby the Bank 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 Bank 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 Bank cannot sell or pledge the original asset other than as security to the eventual recipients

- The Bank must remit any cash flows it collects on behalf of the eventual recipients without material delay.

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

The Bank 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 Bank 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 Bank's continuing involvement,in which case, the Bank 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 Bank 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 Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case ofa 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.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

1.15 Financial instruments (continued)

Impairment of financial assets

Overview of the ECL principles

The Bank 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 Bank 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 defaultoccurring over the remaining life of the financial instrument.

To ensure completeness and accuracy, the Bank 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 Bank'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 Bank Banks its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has beenreclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank 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 Bank 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 theparty's receivable.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank 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.

1.15 Financial instruments (continued)

The calculation of ECL

The Bank records an allowance for expected credit loss for all loans and advances, bank guarantees, undrawn overdrafts and letters of credit. in this section, all referred to as financial instruments. Equity instruments are not subject to impairment under IFRS 9.

The Bank 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 ata certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The Bank considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank 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 Bank 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 Bank 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 onthe 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.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The forward-looking (as well as past and current) information selected has a link to the credit risk of the portfolio. For a variety of reasons, it may not always be possible to demonstrate a strong link in formal statistical terms between individual types of information, or even the information set as a whole, and the credit risk of the portfolio.

Particularly in such circumstances, the Bank's experienced credit judgment is crucial in establishing an appropriate macro-economic adjustment for the portfolio.

The sources of macroeconomic information are from Fitch Solutions; a reputable data vendor that sources and forecasts using information from World Bank, IMF, EIU, BOU, UBOS etc. These sources have invested in statistical modelling tools and procedures that over the years has made them reputable and reliable. Macroeconomic information is updated at least once in a year and/or when there is a material change in the future forecasts.

1.15 Financial instruments (continued)

The Bank obtains equivalent historical default probabilities for the loans and assessments are done to determine the correlation between the Bank's equivalent historical default rate and each observed macroeconomic indicator. Selection of the macroeconomic indicators is based on correlation with historic default rates, expert judgement and understanding of historic interaction between macroeconomic conditions and the Bank portfolio's historical default behaviour.

The first criterion is to assess whether the resulting correlations are logical with the expected relationship. If the correlation relationship meets the criteria, the variable is selected, otherwise it is ignored irrespective of the strength of the correlation.

The second is to regress the historical default rate against the macroeconomic variables that passed the above criteria to determine the regression coefficients using the logistic regression equation. However, a second criteria is applied in the selection of the macro-economic variable, based on the results of the correlations. The historical relationship of default rates and macro-economic variables display low correlations. This implies that movements in macro-economic variables does not result in significant movements in default rates. The selected macroeconomic variable is regressed against the historical default rates to determine the regression coefficients using the logistic regression equation. The derived regression coefficient is used to forecast the future probability of default at different point over the life of the exposures in the portfolio.

In deriving macro-economic variables to cure rates, the Bank determines and obtains quarterly historical macroeconomic variables related to the portfolio, the Bank's equivalent historical cure rate for the portfolio and then regresses the historical cure rates against the historical macroeconomic variable to determine the regression coefficients using the logistic regression equation. The macro adjustment coefficient for future periods is then derived by dividing future forecasted Cure Rate at each point in time by the fitted Point in time cure rate.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations:

31-Dec-24			Actual			Forecast		
Significant Macro-economic Variable (MEV)	**ECL Scenario**	**Assigned Weightings (%)**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
	Base case	50	(2.17%)	2.70%	2.30%	(0.50%)	1.20%	1.10%
Exchange rate	Upside	20	(2.33%)	2.89%	2.46%	(0.54%)	1.29%	1.18%
	Downside	30	(2.02%)	2.51%	2.14%	(0.46%)	1.11%	1.02%
Consumer price inflation	Base case	50	4.00%	4.40%	4.80%	4.80%	4.80%	4.80%
	Upside	20	3.89%	4.28%	4.67%	4.67%	4.67%	4.67%
	Downside	30	4.11%	4.52%	4.93%	4.93%	4.93%	4.93%
	Base case	50	11.37%	9.13%	12.99%	11.99%	10.34%	10.05%
GDP: Nominal GDP	Upside	20	13.40%	10.77%	15.32%	14.14%	12.19%	11.85%
	Downside	30	9.33%	7.50%	10.66%	9.84%	8.49%	8.25%
	Base case	50	(5.04%)	9.86%	13.06%	12.20%	10.63%	10.30%
Money supply	Upside	20	(5.35%)	10.47%	13.87%	12.95%	11.28%	10.93%
	Downside	30	(4.73%)	9.25%	12.26%	11.45%	9.98%	9.66%
	Base case	50	13.75%	12.25%	12.00%	12.00%	12.00%	12.00%
Lending rate, %, eop	Upside	20	13.29%	11.84%	11.60%	11.60%	11.60%	11.60%
	Downside	30	14.21%	12.66%	12.40%	12.40%	12.40%	12.40%

1.15 Financial instruments (continued)

31-Dec-23 Significant Macro -economic variables (MEVs)	ECL Scenario	Assigned Weightings (%)	Actual 2023	Forecast 2024	2025	2026	2027	2028	2029
Exchange rate	Base case	50	4.16%	(0.44%)	0.90%	(0.50%)	1.50%	1.50%	1.40%
	Upside	20	4.46%	(0.47%)	0.96%	(0.54%)	1.61%	1.61%	1.50%
	Downside	30	3.86%	(0.41%)	0.84%	(0.46%)	1.39%	1.39%	1.30%
Consumer price inflation	Base case	50	2.60%	3.90%	4.30%	4.50%	4.50%	4.30%	4.10%
	Upside	20	2.52%	3.79%	4.17%	4.37%	4.37%	4.17%	3.98%
	Downside	30		4.01%	4.43%	4.63%	4.63%	4.43%	4.22%
GDP: Nominal GDP	Base case	50	10.19%	7.11%	12.40%	12.63%	10.53%	7.63%	7.59%
	Upside	20	12.49%	8.71%	15.19%	15.47%	12.90%	9.35%	9.29%
	Downside	30	7.90%	5.51%	9.61%	9.79%	8.16%	5.92%	5.88%
Money supply	Base case	50	7.81%	0.91%	14.48%	12.82%	11.16%	9.43%	9.34%
	Upside	20	8.12%	0.94%	15.05%	13.33%	11.61%	9.80%	9.71%
	Downside	30	7.49%	0.87%	13.90%	12.31%	10.72%	9.05%	8.97%
Lending rate, %, eop	Base case	50	13.50%	12.50%	11.50%	11.50%	11.50%	11.50%	11.50%
	Upside	20	13.09%	12.12%	11.15%	11.15%	11.15%	11.15%	11.15%
	Downside	30	13.91%	12.88%	11.85%	11.85%	11.85%	11.85%	11.85%

Off balance sheet credit exposures

Off-balance sheet credit exposures are impaired by considering credit conversion factors i.e., bank guarantee – 100%, Letter of credit – 20% and undrawn overdraft – 50% and applying the PDs, CR and RR derived from the on-balance sheet analysis.

Other financial assets exposures

Losses within other financial assets included in other receivables are infrequent and idiosyncratic. A reasonable and supportable expected credit losses model (including using the simplified loss rate approach) as required by IFRS 9 is used.

Balances with Bank of Uganda

The ECL allowance for balances with Bank of Uganda was immaterial throughout the current and prior years respectively. Bank of Uganda has not defaulted in local or foreign currency debt in recent history and has a track record of managing its budget even in difficult times and on that basis these balances continue to be considered as having low or negligible risk of default.

Write-off

The Bank 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.

1.16 Off-balance sheet contingencies

Letters of credit, acceptances, guarantees and performance bonds are accounted for as off-balance sheet transactions and disclosed as contingencies. Estimates of the outcome and of the financial effect of these contingencies is made by the management based on the information available at the reporting date. Any expected loss is charged to profit or loss.

1.17 Provisions and contingencies

Provisions are recognised when:

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

Contingent assets and contingent liabilities are not recognised.

1.18 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.

1.19 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, bythe 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).

1.20 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.

1.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Specific borrowings are funds borrowed specifically for the purpose of obtaining a qualifying asset. For specific borrowings, the actual costs incurred are capitalised. If the Bank temporarily reinvests some funds, investment income earned should be deducted from the borrowing costs eligible for capitalisation. All borrowings that are not specific represent general borrowings. Costs eligible for capitalisation are calculated by applying a capitalisation rate to the expenditures on qualifying assets. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period. The amount of borrowing costs eligible for capitalisation is always limited to the amount of actual borrowing costs incurred during the period. Where the parent company finances the construction of a qualifying asset using an intra-group loan, the capitalisation rate is adjusted to reflect how the qualifying asset was financed from the perspective of the Bank as a whole.

Notes to the Financial Statements (Continued)

2. New and amended standards and interpretations

2.1 Standards that became effective during the year

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new and amended standards were effective during the year but did not have an impact on the financial statements.

- Classification of liabilities as current or non-current and non-current liabilities with covenants - Amendments to IAS 1
- Lease liability in a sale and leaseback – Amendments to IFRS 16
- Disclosures: Supplier finance arrangements - Amendments to IAS 7 and IFRS 7

2.2 New and amended standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of these financial statements are disclosed below.

Standards issued but not yet effective that are expected to have a material impact on the Bank's financial statements

IFRS 18 – Presentation and Disclosure in Financial Statements (Effective for annual periods on or after 1 January 2027)

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

IFRS 18, and the consequential amendments to the other accounting standards, is effective for reporting periods beginning on or after 1 January 2027 and must be applied retrospectively. Early adoption is permitted and must be disclosed.

Lack of exchangeability – Amendments to IAS 21. The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Standards issued but not yet effective that are not expected to have a material impact on the Bank's financial statements

- Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (Effective for annual periods beginning on or after 1 January 2026)
- Annual improvements to IFRS Accounting Standards Volume 11 (Effective for annual periods beginning on or after 1 January 2026)
- Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7 (Effective for annual periods beginning on or after 1 January 2026)
- IFRS19 – Subsidiaries without Public Accountability: Disclosures (Effective for annual periods beginning on or after 1 January 2027)
- IFRS 18 – Presentation and Disclosure in Financial Statements- Effective for annual reporting periods beginning on or after 1 January 2027 and must be applied retrospectively
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (Effective date postponed indefinitely pending the outcome of IASB's research project on the equity method of accounting)

The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. However, these pronouncements are not expected to have a material impact on the Bank's financial statements.

3. Financial risk management

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

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

(a) Capital management

Internally imposed capital requirements

The Bank's objectives when managing capital, which is a broader concept than the equity in the statement of financial position are:

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- to comply with the capital requirements set by 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 Bank’s ability to continue as a going concern, so that it can continue to provide returns for shareholdersand 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 onthe guidelines developed by the Basel Committee, as implemented by Bank of Uganda for supervisory purposes. The required information is filed with 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:

- hold the minimum level of regulatory capital of UShs 150 billion by 31 December 2024 (2023: UShs 120 billion);
- maintain core capital of not less than 10% plus a capital buffer of 2.5% of total risk weighted assets plus risk weighted off-balance sheet items; and
- maintain total capital of not less than 12% plus a capital buffer of 2.5% 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 carrying amount of goodwill, current year losses, prohibited loans to insiders, investments in subsidiaries, deficiencies in provisions for losses and other deductions as determined by BOU are deducted in arriving at tier 1 capital.
- Tier 2 capital (Supplementary capital): Revaluation reserves, unencumbered general provisions for losses, 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.

3. Financial risk management (continued)

(a) Capital management (continued)

The table below summarizes the composition of the regulatory capital:

	Note	Bank 2024 UShs '000	2023 UShs '000
Core capital (Tier 1)			
Share capital	22	150,000,000	150,000,000
Accumulated profit		595,016,070	520,078,698
Investment in subsidiary	11	-	(40,000)
Unrealized fair value gains on Government securities	13	-	(10,636,046)
Unrealised foreign exchange gain	7	(36,647)	-
Deferred tax assets	21	(8,596,043)	(2,937,775)
FVTOCI reserve		(10,489,176)	(5,005,843)
Intangible assets	19	(38,789)	(39,489)
Total Tier 1 Capital		**725,855,415**	**651,419,545**
Supplementary capital (Tier 2)			
Unencumbered general provisions for losses (FI Act)	23	14,752,964	12,578,354
Revaluation reserve		13,089,250	13,778,158
Total Tier 2 Capital		**27,842,214**	**26,356,512**
Total capital (Tier 1 + Tier 2)		**753,697,629**	**677,776,057**
Risk weighted assets			
Total risk weighted on-balance sheet items		1,751,412,533	1,535,359,311
Total risk weighted off-balance sheet items		255,368,439	219,586,940
Market risk		26,506,898	10,956,434
Counter party risk		368,349,330	101,033,021
		2,401,637,200	**1,866,935,706**

Capital ratios	**Actual**		**FIA minimum ratio**		**Minimum buffered ratio**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Tier 1 ratio	30.22%	34.89%	10%	10%	12.50%	12.50%
Total capital (Tier 1 + Tier 2)	31.38%	36.30%	12%	12%	14.50%	14.50%

The Bank's minimum paid-up cash capital and capital unimpaired by losses as at December 31, 2024 was above the minimum regulatory requirement of Ushs 150 billion as of this date (2023: Ushs 120 billion) and meets the limit required of Ushs 150 billion by year end (2023:Ushs 150 billion) as per Section 2 of the Financial Institutions (Revision of Minimum Capital Requirements) Instrument, 2022.

The risk–weighted assets are measured by means of hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit 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 adjustmentsto reflect the more contingent nature of potential losses. The loans and advances to customers balance used in the determination of the capital ratios is based on the regulatory provision and not IFRS ECLs as analysed below:

	Note	2024 UShs'000	2023 UShs'000
Total assets per statement of financial position		3,082,946,196	2,804,828,346
Less: Loans and advances to customers per IFRS	16	(1,447,004,620)	(1,239,882,695)
Add: Loans and advances to customers per FIA*		1,475,296,434	1,257,835,407
Total assets for capital computations purposes		**3,111,238,010**	**2,822,781,058**
Loans and advances to customers for regulatory purposes:			
Gross loans and advances	16	1,477,533,285	1,258,006,445
Less: Interest in suspense	16	(335,046)	(40,361)
Less: Regulatory specific provision	23	(1,901,805)	(130,677)
***Net loans and advances to customers for regulatory purposes**		**1,475,296,434**	**1,257,835,407**
Represented by:			
Loans and advances to customers – not cash backed		1,339,895,847	1,148,634,314
Loans and advances to customers - cash backed		135,400,587	109,201,093
		1,475,296,434	**1,257,835,407**

Notes to the Financial Statements (Continued)

3. Financial risk management (continued)

(a) Capital management (continued)

	Note	Carrying amount	Risk weight	Risk weighted amount	Carrying amount	Risk weight	Risk weighted amount
		2024			2023		
		UShs'000		UShs'000	UShs'000		UShs'000
Assets							
Notes, coins and other cash assets	12	19,728,119	0%	-	20,926,173	0%	-
Balances with Bank of Uganda	12	179,256,138	0%	-	194,848,882	0%	-
Government securities	13	971,761,128	0%	-	874,105,477	0%	-
Placements with local banks		35,011,199	20%	7,002,240	80,104,315	20%	16,020,863
Due from banks within Uganda		20,964,732	20%	4,192,946	25,264,063	20%	5,052,813
Due from banking institutions outside Uganda with long term rating as follows:							
Rated AAA to AA (-)		-	20%	-	-	20%	-
Rated A (+) to A (-)**		527,857	50%	263,929	2,056,312	50%	1,028,156
Rated BBB (-) and non-rated**		356,890,215	100%	356,890,215	319,878,326	100%	319,878,326
Due from foreign related Banking institutions outside Uganda		-	100%	-	-	100%	-
*Loans and advances to customers – not cash backed		1,339,895,847	100%	1,339,895,847	1,148,634,314	100%	1,148,634,314
Loans and advances to customers - fully secured by cash		135,400,587	0%	-	109,201,093	0%	-
Assets of disposal	11	-	0%	-	40,000	0%	-
Property, equipment and right-of-use assets	20	34,258,975	100%	34,258,975	36,438,472	100%	36,438,472
Current tax receivable	10(c)	1,837,183	100%	1,837,183	1,766,456	100%	1,766,456
Intangible assets	19	38,789	0%	-	39,489	0%	-
Deferred tax assets	21	8,596,043	0%	-	2,937,775	0%	-
Other assets	17	7,071,198	100%	7,071,198	6,539,911	100%	6,539,911
Total assets		**3,111,238,010**		**1,751,412,533**	**2,822,781,058**		**1,535,359,311**
Off-balance sheet items							
Documentary credits (trade related and self-liquidating)	28	38,449,553	20%	7,689,911	47,182,300	20%	9,436,460
Direct credit substitutes (guarantees and acceptances)	28	43,029,580	100%	43,029,580	43,817,606	100%	43,817,606
Transaction related (performance bonds and standbys)	28	28,689,753	50%	14,344,877	16,700,478	50%	8,350,239
Contingents secured by cash collateral	28	66,170,921	0%	-	39,975,427	0%	-
Other commitments (unused formal facilities)	28	380,608,141	50%	190,304,071	315,965,270	50%	157,982,635
Total off balance sheet items		**556,947,948**		**255,368,439**	**463,641,081**		**219,586,940**
Total risk-weighted on and off-balance sheet assets		-		**2,006,780,972**	-		**1,754,946,251**
Market risk		-		26,506,898	-		10,956,434
Counter party risk		-		368,349,330	-		101,033,021
Total risk-weighted items		**-**		**2,401,637,200**	**-**		**1,866,935,706**

**The amounts due from banking institutions outside Uganda comprise the following:

3. Financial risk management (continued)

(a) Capital management (continued)

	Rating	2024 UShs'000	2023 UShs'000
Standard Chartered Bank	(A)	**527,857**	**2,056,312**
Bank of Baroda, India	(BBB-)	252,602	77,020,017
Bank of Baroda, London	(BBB-)	86,317,096	11,805,663
Bank of Baroda, IFSC	(BBB-)	111,847,932	98,444,877
Bank of Baroda, New York	(BBB-)	98,382,274	63,040,647
Bank of Baroda (Tanzania) Limited	(Unrated)	11,535,790	19,301,182
Bank of Baroda (Kenya) Limited	(Unrated)	11,599,594	164,340
Bank of Baroda, Dubai	(BBB-)	-	50,101,600
Bank of Baroda, Singapore	(BBB-)	36,954,927	-
Total		**356,890,215**	**319,878,326**

Leverage ratio

The Bank is required at all times to comply with a leverage ratio equal to or greater than 6% of the total on- and off-balance sheet assets. As indicated in the table below, the Bank maintained a ratio that was above the minimum requirement.

		2024 Ushs '000	2023 Ushs '000
Capital measure	Tier 1 capital	**725,892,062**	**651,419,545**
Exposure measure	On and off-balance sheet exposures (regulatory):		
	Total on balance sheet assets	3,111,238,010	2,822,781,058
	Off balance sheet items	556,947,946	463,641,081
		3,668,185,956	**3,286,422,139**
Leverage ratio:		**19.79%**	**19.82%**

(b) Credit risk

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

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Bank 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. Credit risk management and control are centralised in credit and treasury departments of the Bank.

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.

In measuring credit risk of loans and advances to customers, the Bank reflects on various components including:
- the probability of default by the borrower/client on their contractual obligations;
- current exposures on the borrower/client and the likely future development, from which the Bank derives theexposure at default; and
- the likely recovery ratio on the defaulted obligations.

3. Financial risk management (continued)

(b) Credit risk (Continued)

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

Investments

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

Risk limit control and mitigation policies

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

- Formulating credit policies covering collateral requirements, credit assessment risk grading, legal procedures for documentation, reporting and compliance with regulatory and statutory requirements.

- Establishing the authority structure for approval and renewal of credit facilities. Discretionary lending powers are allocated to the Credit Committee of Board, Credit Management Committee, Managing Director, Assistant General Managers and Chief Managers/Senior Branch Managers. The Board Credit Committee oversees the credit portfolio of the Bank.

- Developing and maintaining the Bank's risk grading in order to categorise exposures according to degree of risk of financial loss faced and the focus on management of consequent risk or loss. The current risk grading framework consist of 5 categories of risk grades reflecting the varying grades of risk of default and availability of collaterals orother risk mitigates, risk grades are subject to regular review by the Bank.

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

- Reviewing and assessing of credit risk: The Bank carries out a conscious assessment of credit exposure in excess of designated limits, prior to the facilities being committed to the customer. This is a part of the appraisal system for processing requests for credit facilities. Renewals and review of credit facilities are also subject to the same appraisal criteria.

- Review of the compliance of the various regulatory limits, exposure ceilings etc. at regular intervals by the Bank.

- The management provide assistance to the business units/branches to promote best practices for credit appraisal throughout the Bank in management of credit risk.

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

Some other specific control and mitigation measures are outlined below:

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most common one is to obtain collateral forloans 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; and
- Deposits placed under lien.

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

3. Financial risk management (continued)

(b) Credit risk (continued)

Credit-related commitments

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

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

Maximum exposure to credit risk before collateral held:

	Note	2024 UShs '000	2023 UShs '000
Financial assets			
Balances with Bank of Uganda	12	179,256,138	194,848,882
Investment in government securities	13	971,761,128	874,105,477
Due from group companies	14	3,824,254	2,626,525
Placements due from other banks	15	409,569,749	424,676,491
Loans and advances to customers (net)	16	1,447,004,620	1,239,882,695
Other assets	17	6,160,495	6,057,731
		3,017,576,384	**2,742,197,801**
Credit exposure to off-balance sheet items:			
Acceptances and letters of credit	28	38,417,280	47,148,318
Guarantees and performance	28	71,165,771	60,359,276
Commitments to lend	28	380,106,467	315,433,932
Contingents secured by cash collateral	28	66,142,401	39,936,786
		555,831,919	**462,878,312**
Total on and off-balance sheet exposure		**3,573,408,303**	**3,205,076,113**

The table above represents the bank's maximum exposure to credit risk 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.

41% (2023: 39%) of the total maximum exposure of the Bank relates to loans and advances to customers and 27% (2023: 27%) relates to investments in government securities of which only the loans ana advances contribute 100% to the expected credit loss.

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

The gross balances of loans and advances have increased by 17% which has had an impact on the expected credit losses and was one of the factors that contributed to the increase in the expected credit losses alongside the changes in staging which increased the stage three portfolio. This is further disclosed in Note 16.

Impairment and provisioning policies

The Bank's internal and external systems focus more on credit quality mapping from the inception of the lending of the loan or advance. The impairment provisions charged on the financial assets are derived after taking into consideration various factors as described in the accounting policy on expected credit losses.

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.

3. Financial risk management (continued)

(b) Credit risk (continued)

Impairment and provisioning policies

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

- 68.55% (2023: 90.03%) of the gross loans and advances portfolio are in Stage 1;
- 52.10% (2023: 53.50%) of the loans are backed by collaterals;
- 100% (2023: 100%) of the investments in debt securities are government securities; and
- The Bank exercises stringent control over granting of new loans.

	2024 USh'000	2023 USh'000
Stage 1	1,012,777,430	1,132,613,615
Stage 2	456,653,093	122,238,787
Stage 3	8,102,762	3,154,043
Gross loans and advances	**1,477,533,285**	**1,258,006,445**
Less: Impairment allowance	(22,198,401)	(13,249,038)
Less: Staff loan day 1 mark to market adjustment	(453,521)	(310,767)
Less: Deferred loan processing fees	(7,541,697)	(4,523,584)
Less: Interest in suspense	(335,046)	(40,361)
Loans and advances- net	**1,447,004,620**	**1,239,882,695**

Loans and advances renegotiated

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value. The Bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Bank'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. 'Loans with renegotiated terms' are loans that have been restructured due to a deterioration in the borrower's credit risk profile, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

Stage 3 loans and advances

	Bank	
	2024 UShs '000	2023 UShs '000
Loans		
Corporate	6,296,822	2,739,098
Retail	159,166	123,922
	6,455,988	2,863,020
Overdrafts		
Corporate	700,579	-
Retail	946,193	291,023
	1,646,772	**291,023**
Total Stage 3 loans and advances	**8,102,760**	**3,154,043**

3. Financial risk management (continued)

(b) Credit risk (continued)

Concentration of credit risk

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

	Loans and advances		Credit commitments	
	2024	**2023**	**2024**	**2023**
	%		**%**	**%**
Manufacturing	44.2	43.2	44.2	37.6
Wholesale and retail trade	8.5	9.7	8.5	33.3
Transport and communication	0.4	0.2	0.4	0.3
Building and construction	10.9	9.8	10.9	17.2
Agriculture	31.1	32.2	31.1	0.6
Individuals	0.7	0.7	0.7	0
Others	4.3	4.2	4.3	11
	100.0	**100.0**	**100.0**	**100**

The ECL allowance for balances with Bank of Uganda was immaterial. Bank of Uganda has not defaulted in local or foreign currency debt in recent history and has a track record of managing its budget even in difficult times.

Expected credit losses on financial assets included in other assets are immaterial.

The table below provides a mapping of the Bank's internal credit risk grades.

Internal grading description	IFRS 9 Staging
Low-fair risk	Stage 1
Higher risk	Stage 2
Substandard	Stage 3
Doubtful	Stage 3
Loss	Stage 3

Loans and advances to customers at amortised cost

	At 31 December 2024 Ushs'000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Low-fair risk	1,012,777,430	-	-	1,012,777,430
Higher risk	-	456,653,093	-	456,653,093
Sub standard	-	-	6,024,735	6,024,735
Doubtful	-	-	33,783	33,783
Loss	-	-	2,044,244	2,044,244
	1,012,777,430	**456,653,093**	**8,102,762**	**1,477,533,285**
Loss allowance	(6,822,610)	(14,276,141)	(1,099,650)	(22,198,401)
Staff loans day 1 mark to market adjustment	(453,521)	-	-	(453,521)
Deferred loan processing fees	(6,322,623)	(1,132,944)	(86,130)	(7,541,697)
Interest in suspense	-	-	(335,046)	(335,046)
Carrying amount	**999,178,676**	**441,244,008**	**6,581,936**	**1,447,004,620**

	At 31 December 2023 Ushs'000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Low-fair risk	1,132,613,615	-	-	1,132,613,615
Higher risk	-	122,238,787	-	122,238,787
Sub standard	-	-	1,192,869	1,192,869
Doubtful	-	-	1,013,464	1,013,464
Loss	-	-	947,710	947,710
	1,132,613,615	122,238,787	3,154,043	1,258,006,445
Loss: Allowance	(8,640,537)	(4,396,941)	(211,561)	(13,249,039)
Staff loans day 1 mark to market adjustment	(310,767)	-	-	(310,767)
Deferred loan processing fees	(4,396,033)	(104,595)	(22,956)	(4,523,584)
Interest in suspense	-	-	(40,361)	(40,361)
Carrying amount	**1,119,266,278**	**117,737,251**	**2,879,165**	**1,239,882,694**

3. Financial risk management (continued)

(b) Credit risk (continued)

Off balance sheet items

	At 31 December 2024 Ushs'000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Low-fair risk	490,370,548	-	-	490,370,548
Higher risk	-	66,501,382	-	66,501,382
Sub standard	-	-	76,018	76,018
	490,370,548	66,501,382	76,018	556,947,948
Loss allowance	(871,219)	(244,810)	-	(1,116,029)
Carrying amount	489,499,329	66,256,572	76,018	555,831,919

	At 31 December 2023 Ushs'000			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Low-fair risk	439,456,446	-	-	439,456,446
Higher risk	-	24,184,636	-	24,184,636
Sub standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	439,456,446	24,184,636	-	463,641,082
Loss: Allowance	(724,211)	(38,557)	-	(762,768)
Carrying amount	**438,732,235**	**24,146,079**	**-**	**462,878,312**

The tables below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

3. Financial risk management (continued)

(b) Credit risk (continued)

At 31 December 2024

	Maximum exposure to credit risk Ushs'000	Cash Ushs'000	Property Ushs'000	Fixed deposit Ushs'000	Total collateral Ushs'000	Net exposure Ushs'000	Surplus Collateral Ushs'000	Associated ECL Ushs'000
Loans and advances to customers	1,447,004,620	-	2,282,988,161	140,842,828.00	2,423,830,989	-	976,826,369	22,198,401
Off balance sheet items	555,831,919	78,067,871	516,814,521	70,149,747	665,032,139	-	109,200,220	1,116,029
Total	**2,002,836,539**	**78,067,871**	**2,799,802,682**	**210,992,575**	**3,088,863,128**	**-**	**1,086,026,589**	**23,314,430**

At 31 December 2023

	Maximum exposure to credit risk Ushs'000	Cash Ushs'000	Property Ushs'000	Fixed deposit Ushs'000	Total collateral Ushs'000	Net exposure Ushs'000	Surplus Collateral Ushs'000	Associated ECL Ushs'000
Loans and advances to customers (net)	1,239,882,695	-	1,992,725,006	161,291,045	2,154,016,051	-	914,133,356	13,249,038
Off balance sheet items	462,878,312	39,803,736	419,996,672	68,488,544	528,288,952	-	65,410,640	762,769
Total	**1,702,761,007**	**39,803,736**	**2,412,721,678**	**229,779,589**	**2,682,305,003**	**-**	**979,543,996**	**14,011,807**

For both years presented above, the fair value of collateral fully covered the maximum exposure to credit risk for loans and advances to customers and as such there is nil exposure to credit risk after considering the fair value collateral.

During the year, the gross carrying amount of loans and advances amounting to Ushs 487,515 million (2023: Ushs 506,508 million) had Nil expected credit allowance as they were fully collateralised.

Notes to the Financial Statements (Continued)

3. Financial risk management (continued)

(c) Liquidity risk

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

The Bank maintains a diversified and stable funding base comprising the core retail and corporate customers in addition to the nascent institutional banking component. Additionally, the Bank borrows from the inter-bank market through transactions with other banks as another source of funding.

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

The table below analyses the Bank's financial assets and financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts are undiscounted.

At 31 December 2024	Carrying amount	Total undiscounted amount	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Financial assets							
Cash and balances with Bank of Uganda	198,984,257	198,984,257	198,984,257	-	-	-	-
Due from group companies	3,824,254	3,824,254	3,824,254	-	-	-	-
Placements with other banks	409,569,749	409,569,749	164,793,663	188,628,020	56,148,066	-	-
Debt instruments at FVOCI	836,424,332	1,133,949,201	82,988,435	68,122,451	261,918,532	310,123,151	410,796,632
Debt instruments at amortised cost	135,336,796	339,297,699	3,253,761	-	6,629,864.00	206,931,396	122,482,678
Loans and advances to customers	1,447,004,620	1,831,637,355	85,435,155	142,715,185	202,862,123	362,630,699	1,037,994,193
Other assets	6,160,495	6,160,495	-	-	6,160,495	-	-
	3,037,304,503	**3,923,423,010**	**539,279,525**	**399,465,656**	**533,719,080**	**879,685,246**	**1,571,273,503**
Financial liabilities							
Customer deposits	2,204,853,439	2,258,415,701	241,638,541	442,966,062	1,116,929,494	403,309,688	53571916
Borrowed funds	18,903,359	18,903,359	3,672,921	-	-	15,230,438	-
Other liabilities	44,171,372	44,171,372	-	-	44,171,372	-	-
Lease liabilities	8,619,684	10,591,650	196,674	91,957	883,834	3,720,992	5,698,193
	2,276,547,854	**2,332,082,082**	**245,508,136**	**443,058,019**	**1,161,984,700**	**422,261,118**	**59,270,109**
On balance sheet liquidity position	**760,756,649**	**1,591,340,928**	**293,771,389**	**(43,592,363)**	**(628,265,620)**	**457,424,128**	**1,512,003,394**
Off-balance sheet items							
Undrawn loan commitments	380,440,424	380,440,424	144,463,375	114,182,441	121,794,608	-	-
Letters of credit	78,514,909	78,514,909	11,672,845	35,581,857	31,260,207	-	-
Guarantees and performance bonds	96,876,586	96,876,586	7,893,023	21,513,080	43,137,217	24,333,266	-
Off balance sheet liquidity position	**555,831,919**	**555,831,919**	**164,029,243**	**171,277,378**	**196,192,032**	**24,333,266**	**-**
Net liquidity position	**1,316,588,568**	**2,147,172,847**	**457,800,632**	**127,685,015**	**(432,073,588)**	**481,757,394**	**1,512,003,394**

Notes to the Financial Statements (Continued)

3. Financial risk management (continued)

(c) Liquidity risk (continued)

At 31 December 2023	Carrying amount Ushs'000	Total undiscounted amount Ushs'000	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
Financial assets							
Cash and balances with Bank of Uganda	215,775,055	215,775,055	215,775,055	-	-	-	-
Balances due from financial institutions	424,676,491	424,676,491	424,676,491	-	-	-	-
Debt instruments at FVOCI	713,315,127	933,763,585	15,440,140	59,416,470	327,481,383	410,652,044	120,773,548
Debt instruments at amortised cost	160,790,350	436,150,253	90,759,087	-	-	190,229,968	155,161,199
Loans and advances to customers	158,481,102	165,596,392	7,238,045	43,879,664	98,575,153	12,680,950	3,222,580
Other assets	12,063,828	12,063,828	12,063,828	-	-	-	-
	1,685,101,953	**2,188,025,604**	**765,952,646**	**103,296,134**	**426,056,536**	**613,562,962**	**279,157,327**
Financial liabilities							
Customer deposits	334,591,977	335,663,381	277,957,485	37,413,390	12,874,261	7,418,244	-
Interbank borrowings	75,382,096	75,453,273	75,453,273	-	-	-	-
Other liabilities including derivative liabilities	15,133,876	15,133,876	15,133,876	-	-	-	-
Lease liabilities	5,176,141	6,003,946	755,437	167,797	1,633,906	3,446,806	-
	430,284,090	**432,254,476**	**369,300,071**	**37,581,187**	**14,508,167**	**10,865,050**	
On balance sheet liquidity position	**1,254,817,863**	**1,755,771,128**	**396,652,575**	**65,714,947**	**411,548,369**	**602,697,912**	**279,157,327**
Off-balance sheet items							
Undrawn loan commitments	315,580,746	315,580,746	119,682,279	94,789,581	101,108,886	-	-
Letters of credit	56,567,534	56,567,534	21,047,013	22,799,055	12,721,466	-	-
Guarantees and performance bonds	90,730,032	90,730,032	12,652,891	18,582,219	48,595,622	10,899,299	-
Off balance sheet liquidity position	**462,878,312**	**462,878,312**	**153,382,183**	**136,170,855**	**162,425,974**	**10,899,299**	**-**
Net liquidity position	**1,717,696,175**	**2,218,649,440**	**550,034,758**	**201,885,802**	**573,974,343**	**613,597,211**	**279,157,327**

The Financial Institutions (Liquidity) Regulations, 2023 became effective on 19 June 2023. The regulations require the Bank to:

- Maintain an adequate level of liquidity and to manage a liquidity risk appetite to meet all known obligations and commitments and to plan for unforeseen obligations and commitments.

- Conduct regular stress tests in accordance with the guidelines set by the Central Bank and maintain adequate liquidity to withstand stressed conditions, taking into account the liquidity risk appetite of the Bank.

3. Financial risk management (continued)

(c) Liquidity risk (continued)

- Formulate a liquidity contingency plan which prescribes a strategy for addressing liquidity shortages and the procedures for managing cash flow deficits in emergency situations. The liquidity contingency plan shall identify the range of events that may trigger a liquidity shortfall, outline mechanisms to facilitate monitoring of these trigger events, establish clear lines of responsibility of monitoring and approval procedures of remedying the liquidity shortfall.

- Maintain a Liquidity Coverage Ratio (LCR), that is, the ratio of the stock of high-quality liquid assets of the Bank to net cash outflows of the Bank over a period of thirty days and which shall be equal or higher than 100% or as prescribed by the Central Bank. The Bank shall meet the following liquidity coverage ratio requirements: in Uganda shillings for obligations denominated in UShs; and a consolidated basis of all currencies; and for each significant foreign currency in which the aggregate liabilities of the financial institution amount to 10% or more of total liabilities of the Bank.

- Maintain a Net Stable Funding Ratio (NSFR), that is, the ratio of available stable funding to the required stable funding of the Bank and which shall not be less than 100% or as may be varied by the Central Bank.

The regulations require the Bank's Board of Directors to implement an Internal Liquidity Adequacy Assessment Process (ILAAP) to verify that all material risks are identified, effectively managed and covered by a sufficient level of high-quality liquidity buffers. The Central Bank may refer to the ILAAP report submitted by the Bank and require the Bank to maintain liquidity ratios exceeding the minimum ratios indicated above or require the Bank to meet the ratios in respect of significant currencies.

The following are the Bank's LCR and NSFR at the reporting date and during the reporting period.

			LCR		**NSFR**
	Minimum	**2024**	**2023**	**2024**	**2023**
At 31 December	100%	1972.87%	814.25%	117.92%	107.69%
Average for the period	100%	1621.30%	690%	133.62%	N/A
Maximum for the period	100%	2285.81%	1133.23%	143.91%	N/A
Minimum for the period	100%	1279.45%	335.31%	106.41%	N/A

As indicated above, the actual ratios were higher than the minimum regulatory requirement of 100%.

Analysis of the Bank's encumbered and unencumbered assets

As at 31 December 2024

Asset type	**Encumbered UShs '000**	**Unencumbered UShs '000**	**Total UShs '000**
Balances with Bank of Uganda	198,984,257	-	198,984,257
Investment in government securities	-	971,761,128	971,761,128
Due from group companies	-	3,824,254	3,824,254
Placements due from other banks	-	409,569,749	409,569,749
Loans and advances to customers (net)	-	1,447,004,620	1,447,004,620
Other assets	-	6,443,870	6,443,870
	198,984,257	**2,838,603,621**	**3,037,587,878**

As at 31 December 2023

Asset type	**Encumbered UShs '000**	**Unencumbered UShs '000**	**Total UShs '000**
Balances with Bank of Uganda	178,930,000	36,845,055	**215,775,055**
Investment in government securities	-	874,105,477	874,105,477
Due from group companies	-	2,626,525	2,626,525
Placements due from other banks	-	424,676,491	424,676,491
Loans and advances to customers (net)	-	1,239,882,695	1,239,882,695
Other assets	-	6,057,731	6,057,731
	178,930,000	**2,584,193,974**	**2,763,123,974**

3. Financial risk management (continued)

(d) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect thefair 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 getting a return.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 approvalby ALCO) and for the day-to-day implementation of those policies.

The major techniques used to measure and control market risk is stress testing as outlined below:
Stress testing 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 Bank's assets are typically funded in the same currency as the business transacted to eliminates foreign exchange exposures. However, the Bank maintains an open position within the tolerance limits prescribed by BoU and approved by the Board.

The Bank is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, Euro and GBP. The risk arises from future transactions and the assets and liabilities held at the reporting date. The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposures giverise to foreign currency gains and losses that are recognised in profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The intraday positions are managed by treasury through stop loss/dealer limits. End of day positions are marked to market.

The applicable year-end exchange rates were:

	2024 UShs	2023 UShs
US Dollar	3,695	3,787
GBP	4,630	4,835
Euro	3,838	4,192
INR	43.16	45.52
KSh	28.48	24.43

The table below summarises the effect on profit before tax and profit after tax and components of equity had the UShs weakened by 10% against each currency, with all other variables held constant. If the UShs strengthened against each currency, the effect would have been the opposite. The 10% sensitivity represents the Director's assessment of the reasonably possible change in exchange rates which is based on the annual official mid-rate change history as published by Bank of Uganda for the last four financial years. The Bank has considered to therefore use 10% appreciation/depreciation in deriving the sensitivity analysis to foreign exchange rate changes.

	EURO UShs '000	USD UShs '000	GBP UShs '000	Others UShs'000	Total UShs '000
At December 31, 2024					
Profit before tax	-	37,483,913	28,914	-	37,512,827
Profit after tax and equity	-	26,238,739	20,240	-	26,258,979
At December 31, 2023					
Profit before tax	149	28,235,199	548	-	28,235,896
Profit after tax and equity	104	19,764,639	164.4	-	19,764,908

Notes to the Financial Statements (Continued)

3. Financial risk management (continued)

(d) Market risk (continued)

Foreign exchange risk (continued)

The table below summarises the Bank's exposure to foreign currency risk as at year-end. Included in the table are the Bank's financial assets and liabilities categorised by currency.

At December 31, 2024	**EURO UShs '000**	**USD UShs '000**	**GBP UShs '000**	**Others UShs'000**	**Total UShs '000**
Financial assets					
Cash and balances with Bank of Uganda	1,175,953	17,968,121	431,426	212,575	19,788,075
Due from group companies	-	1,178,753	1,879,659	765,841	3,824,253
Placements due from other banks	527,857	363,842,126	10,188,567	-	374,558,550
Loans and advances to customers	-	1,034,795,284	-	-	1,034,795,284
Other assets	-	5,077,188	76,580	-	5,153,768
Total financial assets	**1,703,810**	**1,422,861,472**	**12,576,232**	**978,416**	**1,438,119,930**
Financial liabilities					
Borrowed funds	-	3,672,921	-	-	3,672,921
Customer deposits	1,162,516	1,419,188,549	12,503,097	42,686	1,432,896,848
Other liabilities	541,294		73,135	935,729	1,550,158
Total financial liabilities	**1,703,810**	**1,422,861,470**	**12,576,232**	**978,415**	**1,438,119,927**
Net foreign currency exposure	**-**	**2**	**-**	**1**	**3**
Off-balance sheet items	**-**	**374,839,129**	**289,144**	**-**	**375,128,273**
Overall foreign currency exposure	-	374,839,131	289,144	1	375,128,276

3. Financial risk management (continued)

(d) Market risk (continued)

At December 31, 2023	EURO UShs '000	USD UShs '000	GBP UShs '000	Others UShs'000	Total UShs '000
Financial assets					
Cash and balances with Bank of Uganda	621,699	12,564,074	332,908	258,418	13,777,099
Due from group companies	-	527,810	1,629,133	469,582	2,626,525
Placements due from other banks	5,416,248	328,979,399	10,176,530	-	344,572,177
Loans and advances to customers	-	895,050,448	-	-	895,050,448
Other assets	-	13,223,450	37,709		13,261,159
Total financial assets	**6,037,947**	**1,250,345,181**	**12,176,280**	**728,000**	**1,269,287,408**
Financial liabilities					
Borrowed funds	-	1,651,899	-	-	1,651,899
Customer deposits	5,353,228	1,243,337,967	12,087,082	151,923	1,260,930,200
Other liabilities	683,229	5,168,058	83,715	576,077	6,511,079
Total financial liabilities	6,036,457	1,250,157,924	12,170,797	728,000	1,269,093,178
Net foreign currency exposure	**1,490**	**187,257**	**5,483**	**-**	**194,230**
Off-balance sheet items	**-**	**282,164,730**	**-**	**-**	**282,164,730**
Overall foreign currency exposure	**1,490**	**282,351,987**	**5,483**	-	282,358,960

Interest rate risk

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

The Bank is exposed to various risks associated with the effects of fluctuation in market interest rates on its financial position and cash flows. The Bank’s management closely monitors 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 Bank does not haveany derivative financial instruments. The Bank does not bear interest rate risk on off balance sheet items.

Notes to the Financial Statements (Continued)

3. Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

At December 31, 2024	**</=1 month Ushs'000**	**1 - 3 months Ushs'000**	**3-12 months Ushs'000**	**1-5 years Ushs'000**	**>5years Ushs'000**	**Non-interest bearing Ushs'000**	**Total Ushs'000**
Financial assets							
Cash and balances with Bank of Uganda	19,728,119	-	-	-	-	179,256,138	198,984,257
Investment in government securities	86,242,196	68,122,451	268,779,662	177,699,013	235,581,011	135,336,796	971,761,129
Due from group companies						3,824,254	3,824,254
Placements with other banks	164,793,663	188,628,020	56,148,066	-	-	-	409,569,749
Loans and advances to customers	84,021,312	142,715,185	204,275,966	362,630,699	653,361,458	-	1,447,004,620
Other assets	-	-	6,160,495	-	-	-	6,160,495
Total financial assets	354,785,290	399,465,656	535,364,189	540,329,712	888,942,469	318,417,188	3,037,304,504
Financial liabilities							
Borrowed funds	3,672,921	-		-	-	15,230,438	18,903,359
Customer deposits	241,638,541	442,966,062	1,116,929,494	403,309,688	9,654	-	2,204,853,439
Other liabilities	-	-	44,171,372	-	-	-	44,171,372
Total financial liabilities	**245,311,462**	**442,966,062**	**1,161,100,866**	**403,309,688**	**9,654**	**15,230,438**	**2,267,928,170**
Interest sensitivity gap	**109,473,828**	**(43,500,406)**	**(625,736,677)**	**137,020,024**	**888,932,815**		

At December 31, 2023	**</=1 month Ushs'000**	**1 - 3 months Ushs'000**	**3-12 months Ushs'000**	**1-5 years Ushs'000**	**>5years Ushs'000**	**Non-interest bearing Ushs'000**	**Total Ushs'000**
Financial assets							
Cash and balances with Bank of Uganda	-	-	-	-		215,775,055	215,775,055
Investment in government securities	24,590,091	59,504,573	345,924,669	197,766,565	85,529,229	160,790,350	874,105,477
Due from group companies	2,626,525	-	-	-	-	-	2,626,525
Placements with other banks	344,091,158	80,585,333	-	-	-	-	424,676,491
Loans and advances to customers	68,527,064	118,442,501	218,420,409	384,234,483	450,258,238	-	1,239,882,695
Other assets	-	-	-	-	-	6,057,731	6,057,731
Total financial assets	439,834,838	258,532,407	564,345,078	582,001,048	535,787,467	382,623,136	2,763,123,974
Financial liabilities							
Borrowed funds	1,651,899	-	-	-	-	12,670,691	14,322,590
Customer deposits	97,286,817	270,361,861	1,593,511,196	63,779,865	2,240	-	2,024,941,979
Other liabilities	-	-	1,161,710	4,250,533	4,505,282	40,902,316	50,819,841
Total financial liabilities	**98,938,716**	**270,361,861**	**1,594,672,906**	**68,030,398**	**4,507,522**	**53,573,007**	**2,090,084,410**
Interest sensitivity gap	**340,896,122**	**(11,829,454)**	**(1,030,327,828)**	**513,970,650**	**531,279,945**		

3. Financial risk management (continued)

(d) Market risk (continued)

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

Interest rate risk sensitivity
As at December 31, 2024 if interest rates had been 2 basis points lower/higher with all other variables held constant, profit before tax and equity would have been UShs 28.9 billion and 20.3 billion (2023: UShs 24.7 billion and 17.3 billion), respectively, lower/higher, The sensitivity analysis has been considered for only loans and advances to customers being the only financial instruments that are sensitive to changes in interest rates. All other interest linked financial instruments have fixed interest rates and as such are not considered sensitive to changes in interest rates

The Bank has considered the guidelines in Basel III which recommends that banks assess the impact of interest rate shock at 2% on their earnings.

(e) Risk measurement and control

Interest rate, currency, credit, liquidity and other risks are actively managed by management to ensure compliance with the Bank's risk limits. The Bank's risk limits are assessed regularly to ensure their appropriateness given its objectives and strategies and current market conditions. A variety of techniques are used by the Bank in measuring the risks inherent in its trading and non-trading positions. This is achieved by development of overall standards for the Bank to manage the risk in the following areas:
- Segregation of duties including independent authorisation of transactions
- Monitoring and reconciliation of transactions
- Compliance of regulatory and legal requirement
- Documentation of control and procedure
- Assessment of the operational risk on a periodic basis to address the deficiencies observed, if any
- Reporting of operational losses and initiation of remedial action
- Development of contingency plan
- Giving training to staff to improve their professional competency
- Ethical and business standards
- Obtaining insurance wherever feasible, as a risk mitigation measure.

(f) Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

At December 31, 2024	**Hierarchy**			
	Level 1 Ushs'000	**Level 2 Ushs'000**	**Level 3 Ushs'000**	**Total Ushs'000**
Government securities at FVTOCI (Note 13)	-	836,424,332	-	836,424,332
At December 31, 2023				
Government securities at FVTOCI (Note 13)	-	713,315,127	-	713,315,127

The Bank records transfers between levels based on the actual date of transfer. Transfers from Level 1 to Level 2 or Level 3 occur when the securities cease to be quoted in an active market and vice vera. Transfers from Level 3 to Level 2 occur when the market for some securities became more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid. Therefore, the Company requires significant unobservable inputs to calculate their fair value. There were no movements between levels during the year.

The fair values of the Bank's other financial assets and liabilities that are measured at amortised cost approximate the respective carrying amounts, due to the generally short periods to contractual re-pricing or maturity dates or because the instruments' interest rates reasonably approximate the market interest rates.

4. Operating segments

The major part of business of the Bank, which is all within Uganda, falls under the category of banking, with other income comprising less than 2% of the total income of the Bank. As such, the Bank comprises of one segment and no customer contributes up to 10% of the revenue. Consequently, no segment information is presented.

5. Interest income calculated using the effective interest method

	2024 UShs '000	2023 UShs '000
Interest on loans and advances	159,501,643	135,911,082
Interest earned on treasury bonds	88,844,759	72,748,527
Interest earned on treasury bills	39,336,278	36,864,945
Interest on deposits and placements	25,062,431	17,517,790
	312,745,111	**263,042,344**

6. Interest and similar expenses

a) Interest expense calculated using the effective interest method

Time deposits	106,845,713	80,649,280
Savings accounts	3,206,092	3,268,943
Current and demand deposits	4,151,491	858,163
Repurchase agreement and borrowed funds	1,775,061	400,413
	115,978,357	85,176,799

b) Other interest and similar expense

Lease liabilities (Note 32)	379,500	403,346
Total interest expenses	**116,357,857**	**85,580,145**

7. Non-interest income

a) Trading items

Realised foreign exchange gains	4,645,703	4,707,296
Unrealised foreign exchange gain	36,647	-
Profit on sale of financial investments	122,851	-
Recycling of gains on disposal of investments at FVTOCI	325,457	4,247,846
	5,130,658	**8,955,142**

b) Non- trading items

Fees and commission income	11,569,349	10,417,615
Recoveries from loans and advances previously written-off	16,910,534	14,666,703
Dividend income	-	432,556
Other income	1,468,227	27,104
Gain on sale of equipment	-	27,751
	29,948,110	**25,571,729**
Total Non-interest income	**35,078,768**	**34,526,871**

Fees and commission further disaggregated as below:

Domestic commissions	5,150,136	5,430,742
Foreign commissions	1,577,430	1,291,192
Total fee and commission from contracts with customers	**6,727,566**	**6,721,934**
Financial guarantee contracts and loan commitments	4,841,783	3,695,681
Total fees and commission income	**11,569,349**	**10,417,615**

Domestic commissions include commission on rent for lockers, local collections, ATM usage charges, VISA charges, SWIFT charges and other commissions earned within Uganda.

Foreign commissions include commission on inward message type (MTs), foreign demand drafts (DDs)/telegraphic transfers (TTs), import bill issuance and other commissions earned on foreign transactions.

8. Operating expenses

	2024 UShs '000	2023 UShs '000
Employee costs (Note 9)	24,766,305	20,531,790
Insurance	4,231,797	3,649,326
Depreciation and amortisation	2,983,540	2,902,487
Administration and service level agreement fees	884,802	1,333,608
Repairs and maintenance	2,236,334	2,475,420
Fee and commission expenses	1,740,917	1,369,418
Other expenses	1,202,563	1,877,002
Indirect tax expenses	1,545,746	3,591,556
Rent, rates and utilities	3,154,544	2,397,878
Advertising	1,456,042	1,234,889
Software expenses	1,985,894	1,369,419
Printing and stationery	646,186	1,305,850
Security	780,808	596,626
Audit costs	380,493	529,203
Consulting and professional fees	565,424	656,885
Travelling	110,482	284,069
Telephone and fax	35,824	101,492
Entertainment	20,588	105,815
Subscriptions	110,591	100,294
Directors' emoluments	78,033	77,367
Loss on sale of equipment	102,942	-
Unrealised foreign exchange losses	-	911,339
Loss on sale of financial investments	-	1,195,463
Donations	101,053	90,695
	49,120,908	**48,687,891**

The following are included in other expenses: legal expenses NIL (2023: UShs 709 million), staff team building expenses of UShs 186 million (2023: UShs 35 million), operations losses of NIL (2023: UShs 52 million) and Annual General Meeting expenses of UShs 135 million (2023: UShs 22 million)

Audit costs include remuneration for the external audit services of UShs 423 million (2023: UShs 356 million).

9. Employee costs

	2024 UShs '000	2023 UShs '000
Salaries and wages	20,549,791	16,842,298
National Social Security Fund – employer contributions	1,330,705	1,052,895
Contribution to provident fund for expatriates	491,035	371,606
Other employment allowances*	2,394,774	2,264,991
	24,766,305	**20,531,790**

*****Other employment allowances comprise of house rent allowance, entertainment allowance, overtime pay, house maintenance, staff training, bonuses, expatriate visa expenses, medical expenses and education expenses for expatriates' children**.**

10. Taxation

a) Income tax charge to profit or loss

		2024 UShs '000	2023 UShs '000
Current tax charge			
Local income tax - current period		20,663,274	15,633,542
Income tax assessment relating to prior years		-	4,836,100
Prior year under provision - current tax		-	208,235
Withholding tax (WHT) on interest income from government securities		21,040,372	17,856,112
		41,703,646	**38,533,989**
Deferred tax			
Deferred tax credit	21	(3,013,022)	(1,152,000)
Total income tax charge to profit or loss		**38,690,624**	**37,381,989**

Notes to the Financial Statements (Continued)

10. Taxation (Continued)

b) Tax reconciliation

The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2024 UShs '000	2023 UShs '000
Profit before tax	**172,643,842**	**153,748,154**
Income tax expense calculated at 30% (2023: 30%)	51,793,153	46,124,446
Final tax (WHT) on interest income on government securities	21,040,372	17,856,112
Income subject to WHT as final tax	(34,367,648)	(35,589,294)
Prior year under provision - current tax	-	208,235
Income tax assessment relating to prior years	-	4,836,100
Non-deductible expenses*	224,747	3,946,390
Net income tax charge to profit or loss	**38,690,624**	**37,381,989**

***Non-deductible expenses consist of expenses relating to entertainment, staff visa, donations and depreciation on non-qualifying assets.

c) Current income tax recoverable

		2024 Ushs 000	2023 Ushs 000
Opening balance		(1,766,456)	(364,885)
Current income tax charge	10(a)	41,703,646	38,533,989
Income tax paid	18	(41,774,373)	(39,935,560)
Closing balance		**(1,837,183)**	**(1,766,456)**

11. Discontinued operations or disposal groups

Baroda Capital Markets (Uganda) Limited's shareholders approved a plan of voluntary winding up of the company on March 17, 2021, as per Section 268 of the Companies Act Cap. 106, of Uganda. Consequently, the subsidiary was dissolved on November 29, 2024.

The outstanding net assets of Ushs 40,000,000 in Baroda Capital Markets was transferred to Bank of Baroda (Uganda) Limited during the year.

The Bank received a dividend of UShs 432,556,000 from Baroda Capital Markets in 2023.

The disclosure relating to the discontinued operations of Baroda Capital Markets (Uganda) Limited was included in Note 11 to the financial statements for the year ended 31 December 2023.

12. Cash and balances with Bank of Uganda

	2024 UShs '000	2023 UShs '000
Cash in hand	19,728,119	20,926,173
Balances with Bank of Uganda	179,256,138	194,848,882
	198,984,257	**215,775,055**

The bank is required to maintain minimum cash reserve balances for a 14-day period (from December 19, 2024, to January 1, 2025) as stipulated by the regulator. For the period ending December 31, 2024, the bank was required to maintain a minimum balance of Ushs 205.750 billion (2023: Ushs 178.930 billion), provided that daily balances do not fluctuate below 50% of the required minimum balance. However, the 14-day average must comply with the minimum regulatory requirement.

The ECL charge on balances with Bank of Uganda was immaterial as at year-end (2023: immaterial).

Repurchase agreements (repo) are borrowings/lending between the Bank and Bank of Uganda for a period of less than one year at market interest rates. The accrued interest receivable on repurchase agreements with Bank of Uganda was nil as at year-end (2023: NIL), and this was included together with principal balance advanced).

Notes to the Financial Statements (Continued)

13. Investment in government securities

	2024 UShs '000	2023 UShs '000
Fair value through other comprehensive income		
Treasury bills	285,098,342	344,221,653
Treasury bonds	551,325,990	369,093,474
	836,424,332	**713,315,127**
Amortised cost		
Treasury bonds	135,336,796	160,790,350
	971,761,128	**874,105,477**

	Opening balance UShs '000	Fair value gain/(loss) UShs '000	Net addition / (deduction) UShs '000	Interest earned UShs '000	Closing balance UShs '000
Year ended 31 December 2024	713,315,127	(7,833,333)	105,181,562	25,760,976	836,424,332
Year ended 31 December 2023	602,780,921	10,636,046	86,506,869	13,391,291	713,315,127

The movement in fair valuation gain net of tax was as follows:

	Note	2024 UShs '000	2023 UShs '000
Fair value (loss)/ gain		(7,833,333)	10,636,046
Deferred tax impact	21	2,350,000	(3,190,814)
Net fair value (loss)/ gain		**(5,483,333)**	**7,445,232**

The weighted average effective interest rate on treasury bonds as at December 31, 2024 was 14.72% and on treasury bills 12.49% (2023: treasury bonds 14.29% and treasury bills 11.43%). The Bank has not reclassified any financial assets from amortised cost to fair value or vice versa during the current or prior year.

The allowance for ECL relating to investments in government securities was immaterial as at year-end (2023: immaterial).

As at year-end, the Bank had pledged treasury bills of 364 days amounting to UShs 3,160 million (2023: 364 days amounting to UShs 4,777 million) to Bank of Uganda.

14. Due from group companies

	2024 UShs '000	2023 UShs '000
Bank of Baroda, London – GBP	1,879,659	1,629,133
Bank of Baroda, Nairobi – KSh	513,240	164,340
Bank of Baroda, Mumbai – INR	252,602	305,242
Bank of Baroda, New York - US Dollar	1,178,753	527,810
	3,824,254	**2,626,525**

Notes to the Financial Statements (Continued)

15. Deposits due from other banks

	2024 UShs '000	2023 UShs '000
Due from banking institutions in Uganda	55,975,931	105,368,378
Due from other banks outside Uganda		
Bank of Baroda, Tanzania	11,535,790	19,301,182
Bank of Baroda, Mumbai	-	76,714,775
Bank of Baroda, London	84,437,437	10,176,530
Bank of Baroda, IFSC	111,847,932	98,444,877
Bank of Baroda, New York	97,203,521	62,512,837
Bank of Baroda, Dubai	-	50,101,600
Bank of Baroda, Kenya	11,086,355	-
Standard Chartered Bank- FrankFurt	527,857	2,056,312
Bank of Baroda, Singapore	36,954,926	-
	353,593,818	319,308,113
Total placements due from other banks	**409,569,749**	**424,676,491**

16. Loans and advances to customers

	2024 UShs '000	2023 UShs '000
Overdrafts	670,935,844	576,348,788
Term loans	806,597,441	681,657,657
Total gross loans	**1,477,533,285**	**1,258,006,445**
Impairment allowance	(22,198,401)	(13,249,038)
Staff loans day 1 mark to market adjustment	(453,521)	(310,767)
Deferred loan processing fees	(7,541,697)	(4,523,584)
Interest in suspense	(335,046)	(40,361)
Net carrying amount	**1,447,004,620**	**1,239,882,695**

Reconciliation of impairment allowance for loans and advances

Opening balance	13,249,038	21,976,295
Increase/(decrease) in impairment allowance	8,949,363	(5,274,354)
Write off of loans provided for in prior years	-	(3,452,903)
Closing balance	**22,198,401**	**13,249,038**
Charge to profit or loss		
ECL debit/(credit) to profit – Loans and advances	8,949,363	(5,274,354)
ECL debit/(credit) to profit – off balance sheet items	353,260	(129,230)
Net increase/(decrease) in ECL	**9,302,623**	**(5,403,584)**
Write off of loans not provided for in prior years	398,649	14,956,609
Net charge to profit or loss	**9,701,272**	**9,553,025**

Advances to customers include loans to employees of UShs 4,323 million (2023: UShs 6,833 million).

The weighted average effective interest rate on local currency loans and advances to customers as at December 31, 2024 was 21.16% (2023: 19.78%) and 7.89% (2023: 8.14%) for foreign currency loans and advances.

16. Loans and advances to customers (Continued)

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

	Loans and advances to customers				Off SOFP	Off SOFP	Off SOFP	Total
	Stage 1 UShs'000	Stage 2 UShs'000	Stage 3 UShs'000	Total UShs'000	Stage 1 UShs'000	Stage 2 UShs'000	Stage 3 UShs'000	UShs'000
December 31, 2024								
At start of the year	8,640,536	4,396,941	211,561	13,249,038	724,211	38,558	-	14,011,807
Charge for the year	(1,817,926)	9,879,200	888,089	8,949,363	147,008	206,252	-	9,302,623
At the end of year	**6,822,610**	**14,276,141**	**1,099,650**	**22,198,401**	**871,219**	**244,810**	**-**	**23,314,430**
December 31, 2023								
At start of the year	9,782,684	2,278,139	9,915,472	21,976,295	816,460	43,599	31,940	22,868,294
Credit for the year	(1,142,148)	2,118,802	(6,251,008)	(5,274,354)	(92,249)	(5,041)	(31,940)	(5,403,584)
Write off of loans provided for in prior years	-	-	(3,452,903)	(3,452,903)	-	-	-	(3,452,903)
At the end of year	**8,640,536**	**4,396,941**	**211,561**	**13,249,038**	**724,211**	**38,558**	**-**	**14,011,807**

The aggregate carrying amount of impaired loans (Stage 3 loans) at December 31, 2024 and the related expected credit losses are indicated above.

17. Other assets

	Note	2024 UShs '000	2023 UShs '000
Other receivables*		6,160,495	6,057,731
Prepayments		283,375	-
Deferred staff costs		627,328	482,180
		7,071,198	**6,539,911**

***Other receivable accounts comprise of mainly interbranch open transactions, trading account balances, visa receivable account balances and agent banking balances.

18. Tax paid

Opening balance	10(c)	1,766,456	364,885
Current income tax charge	10(c)	(41,703,646)	(38,533,989)
Closing balance	10(c)	(1,837,183)	(1,766,456)
Tax paid during the year		**(41,774,373)**	**(39,935,560)**

19. Intangible assets

	2024			2023		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Computer software	**486,285**	**(447,496)**	**38,789**	**542,787**	**(503,298)**	**39,489**

Reconciliation of intangible assets

Computer software	Opening balance UShs'000	Additions UShs'000	Disposals UShs'000	Amortisation UShs'000	Closing balance UShs'000
Year ended 31 December 2024	39,489	3,000	(221)	(3,479)	38,789
Year ended 31 December 2023	76,955	8,400	-	(45,866)	39,489

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

	2024			2023		
	Cost or valuation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Freehold land	14,000,000	-	14,000,000	14,000,000	-	14,000,000
Buildings	8,342,250	(728,977)	7,613,273	8,330,000	(312,375)	8,017,625
Furniture & fixtures	7,780,616	(4,828,780)	2,951,836	9,070,471	(5,975,403)	3,095,068
Motor vehicles	1,300,414	(800,203)	500,211	1,222,201	(917,278)	304,923
IT equipment	6,635,017	(5,054,715)	1,580,302	6,943,494	(4,715,122)	2,228,372
Right-of-use assets	15,230,731	(7,617,378)	7,613,353	15,076,867	(6,284,383)	8,792,484
Total	**53,289,028**	**(19,030,053)**	**34,258,975**	**54,643,033**	**(18,204,561)**	**36,438,472**

Reconciliation of property, equipment and right-of-use assets:

	Opening balance UShs'000	Revaluation surplus UShs'000	Additions UShs'000	Disposals UShs'000	Depreciation UShs'000	Closing balance UShs'000
Year ended 31 December 2024						
Freehold land	14,000,000	-	-	-	-	14,000,000
Buildings	8,017,625	-	12,250	-	(416,602)	7,613,273
Furniture and fixtures	3,095,068	-	382,391	(130,235)	(395,387)	2,951,837
Motor vehicles	304,923	-	314,627	(9,482)	(109,857)	500,211
IT equipment	2,228,372	-	86,936	(9,786)	(725,220)	1,580,302
Right-of-use assets	8,792,484	-	153,863	-	(1,332,995)	7,613,352
	36,438,472	-	950,067	(149,503)	(2,980,061)	34,258,975
Year ended 31 December 2023						
Freehold land	8,700,000	5,300,000	-	-	-	14,000,000
Buildings	3,813,311	4,620,360	-	-	(416,046)	8,017,625
Furniture and fixtures	2,672,164	-	810,784	(12,708)	(375,172)	3,095,068
Motor vehicles	103,671	-	245,717	(7,027)	(37,439)	304,922
IT equipment	1,655,573	-	1,284,907	(150)	(711,957)	2,228,373
Right-of-use assets	10,108,491	-	-	-	(1,316,007)	8,792,484
	27,053,210	9,920,360	2,341,408	(19,885)	(2,856,621)	36,438,472

Revaluation surplus net of tax:

	Note	2024 Ushs '000	2023 UShs'000
Revaluation surplus		-	9,920,360
Deferred tax impact	21	-	(2,976,108)
Revaluation surplus net of tax		**-**	**6,944,252**

Land and building were revalued on March 29, 2023 by Ideal Surveyors, Valuers and Real Estate Management Consultants who are independent of the Bank and have the appropriate qualifications and experience in the fair value measurement of properties in the relevant locations. 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 by reference to observable prices in the open market and recent similar market transaction at arm's length.

20. Property, equipment and right-of-use asset (Continued)

Significant increases (decreases) in open market value in isolation would result in a significantly higher (lower) fair value on a linear basis.

The book values of properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to the revaluation reserve in shareholders equity. If the freehold land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Freehold land UShs'000	Buildings UShs'000	Total UShs'000
Cost	-	10,829,116	10,829,116
Accumulated depreciation	-	(8,619,166)	(8,619,166)
	-	2,209,950	2,209,950

21. Deferred tax asset

Deferred tax is calculated using the enacted income tax rate of 30% (2023: 30%). The movement in the deferred tax asset is as follows:

	Note	2024 UShs '000	2023 UShs '000
At the beginning of year		(2,937,775)	(7,681,070)
Credit to profit or loss			
Leases		35,613	(94,352)
Property and equipment		(70,214)	70,858
Fair value through profit or loss		(904,716)	(2,646,959)
Impairment allowance		(2,259,448)	1,577,368
Unrealized foreign exchange differences		185,743	(58,915)
Net credit to profit or loss	**10(a)**	(3,013,022)	(1,152,000)
(Credit)/charge to OCI			
Fair value through other comprehensive income	13	(2,350,000)	3,190,814
Revaluation reserve	20	-	2,976,108
Net (credit)/charge to OCI		(2,350,000)	6,166,922
Credit to equity			
Net deferred tax credit on transfer of excess depreciation		(295,246)	(271,627)
Net deferred tax asset		**(8,596,043)**	**(2,937,775)**

22. Share capital

	Number of shares		Value	
	2024	2023	2024 UShs '000	2023 UShs '000
Authorised, issued and fully paid				
Par value of each share is UShs 10 (2023: UShs 10)				
Opening balance	15,000,000,000	2,500,000,000	150,000,000	25,000,000
Bonus share issue	-	12,500,000,000	-	125,000,000
Closing balance	15,000,000,000	15,000,000,000	150,000,000	150,000,000

	Per share		Amount	
	2024 UShs	2023 UShs	2024 UShs '000	2023 UShs '000
Dividend proposed and paid				
Dividend proposed	4.0	2.0	60,000,000	30,000,000
Dividend paid	2.0	2.0	30,000,000	30,000,000

Notes to the Financial Statements (Continued)

22. Share capital (Continued)

In an Extraordinary General Meeting of the Bank's shareholders held on March 24, 2023, the shareholders approved the issue of bonus shares in the ratio of 1:5 to the existing shareholders to increase the Bank's share capital from UShs 25 billion to UShs 150 billion. The following incidental costs were incurred in respect to the bonus share issue:

	2024 UShs'000	2023 UShs'000
Stamp duty expense	-	1,875,000
Other incidental costs	-	220,145
	-	**2,095,145**

23. Regulatory credit risk reserve

The regulatory credit risk reserve represents an appropriation from retained earnings to comply with the Bank of Uganda prudential guidelines. The reserve represents the excess of impairment provisions on loans and advances to customers determined in accordance with the financial institutions regulations over the expected credit losses determined in accordance with the Bank's IFRS 9based accounting policies. This reserve is non-distributable.

Regulatory provisions on loans and advances to customers

	2024 UShs '000	2023 UShs '000
Specific provision	1,901,805	130,677
General provision	14,752,964	12,578,354
Total regulatory provisions	**16,654,769**	**12,709,031**
Expected credit losses per IFRS 9 (Note 16)	22,198,401	13,249,038
Regulatory credit risk reserve	Not applicable (N/A)	Not applicable (N/A)

24. Customer deposits

Current and demand accounts	410,577,901	334,881,571
Savings accounts	303,072,086	313,542,088
Time deposits	1,491,203,452	1,376,518,320
	2,204,853,439	**2,024,941,979**

25. Borrowed funds

Deposits due to other banks within 90 days	3,672,921	1,651,899
Bank of Uganda: Agricultural Credit Facility	15,230,438	12,670,691
	18,903,359	**14,322,590**

The Government of Uganda through the central bank in partnership with commercial banks, Uganda Development Bank Ltd and micro-deposit taking institutions (MDIs) created the Agricultural Credit Facility. The facility was created for the provision of medium-term credit facilities to agriculture and agro-processing projects on more favourable terms as opposed to the open market. The credit facilities are advanced to customers at an interest rate of not more than 12% per annum. The other objectives of the facility include the promotion of commercial agriculture, increasing access to finance by agribusinesses, increased agricultural production thus food security as well as boosting the confidence of financial institutions in lending to agriculture. The Bank contributes 50% towards the lending and 50% is financed by the ACF. The Bank repays the 50% financed by the ACF as and when the loans are prepaid by the customers with 0% interest charged by the Central Bank. The ACF borrowing is not secured.

Notes to the Financial Statements (Continued)

26. Other liabilities

	Note	2024 UShs '000	2023 UShs '000
Dividends payable		1,184,495	1,042,736
Bills payable		88,840	142,659
Uncleared effects		6,791	199,530
ECL allowance on off-balance sheet items	16	1,116,029	762,769
Lease liabilities	32	8,619,684	9,917,525
Accruals		4,568,607	3,710,963
Other taxes		1,717,246	1,419,191
Other payables*		34,271,562	39,517,391
		51,573,254	**56,712,764**
Analysed as follows:			
Non-financial liabilities		7,401,882	5,892,923
Financial liabilities		44,171,372	50,819,841

**Other payables mainly include URA deposits by customers amounting to UShs 28 billion (2023: UShs 33 billion). The balance also includes sundry creditors, sundry deposits, EFT balances and visa balances.

27. Cash and cash equivalents

	Note	2024 UShs '000	2023 UShs '000
Cash and balances with Bank of Uganda	12	198,984,257	215,775,055
Cash reserve requirement		(205,750,000)	(178,930,000)
Government securities maturing in 90 days		154,364,646	84,094,664
Due from group companies	14	3,824,254	2,626,525
Placements due from other banks	15	409,569,749	424,676,491
		560,992,906	**548,242,735**

28. Off-balance sheet contingencies and commitments

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

Nature of contingencies
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 default by the customer.

Contingencies are secured by cash and/or property collaterals.

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

	2024 UShs '000	2023 UShs '000
Contingencies		
Acceptances and letters of credit	38,449,553	47,182,300
Guarantees	43,029,580	43,817,606
Performance bonds	28,689,753	16,700,478
Contingents secured by cash collateral	66,170,921	39,975,427
	176,339,807	**147,675,811**
Commitments		
Undrawn formal stand-by facilities, credit lines and other commitments to lend	380,608,141	315,965,270
	556,947,948	**463,641,081**

The expected credit losses on off-balance sheet credit commitments are disclosed in Notes 16 and 26.

29. Related party disclosures

Holding company	Bank of Baroda, India
Affiliates	Bank of Baroda, India Bank of Baroda, London Bank of Baroda, Kenya Bank of Baroda, Dubai Bank of Baroda, New York Bank of Baroda, Tanzania Limited Bank of Baroda, IFSC Bank of Baroda, Singapore Bank of Baroda, Botswana Bank of Baroda, Seychelles

Refer to the corporate section for the list of directors/key management personnel (page 2).

	2024 UShs '000	2023 UShs '000
Related party transactions		
Interest paid to related parties		
Baroda Capital Markets (Uganda) Limited	-	32,554
Administration fees paid to related parties		
Bank of Baroda, India	2,128,727	3,756,353
Key management compensation		
Non-Executive Directors	78,033	77,367
Executive Directors	643,704	580,488
Software expenses		
Bank of Baroda, India	1,353,212	949,080
Related party balances		
Due from group companies		
Bank of Baroda, India (BBB-)	252,602	305,242
Bank of Baroda, London (BBB-)	1,879,659	1,629,133
Bank of Baroda (Kenya) Limited, Kenya (Unrated)	513,240	164,340
Bank of Baroda, New York (BBB-)	1,178,753	527,810
	3,824,254	**2,626,525**
Placements due from group companies		
Bank of Baroda, India (BBB-)	-	76,714,774
Bank of Baroda, London (BBB-)	84,437,437	10,176,530
Bank of Baroda (Tanzania) Limited (Unrated)	11,535,790	19,301,182
Bank of Baroda, IFSC (BBB-)	111,847,932	98,444,877
Bank of Baroda, New York (BBB-)	97,203,521	62,512,837
Bank of Baroda, Dubai (BBB-)	-	50,101,600
Bank of Baroda (Kenya)	11,086,355	-
Bank of Baroda, Singapore	36,954,927	-
	353,065,962	**317,251,800**

The amounts outstanding are unsecured and will be settled in cash. Interest is earned on placements with group companies and no interest is charged on balances due from group companies. No impairment has been recognised in the period in respect of the amounts owing from group companies.

Due to subsidiary

Baroda Capital Markets (Uganda) Limited	-	40,000

Notes to the Financial Statements (Continued)

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.

	2024	2023
Profit attributable to equity holders (UShs'000)	133,953,218	116,366,165
Weighted average number of ordinary shares at year-end ('000)	15,000,000	15,000,000
Basic and diluted earnings per share (UShs)	**8.93**	**7.76**

There were no potentially dilutive shares as at December 31, 2024 or on December 31, 2023. Therefore, diluted earnings per share are the same as basic earnings per share.

31. Other commitments and contingent liabilities

There were no contingent liabilities or material authorised capital expenditure commitments at year-end (2023: NIL).

32. Lease liabilities

The Bank leases space for branches and other premises to meet its business operational needs. Currently, the Bank does not have any material subleasing arrangements. The table below sets out a maturity analysis of lease liabilities, showing the lease payments to be paid after the reporting date.

	Notes	2024 UShs '000	2023 UShs '000
Minimum lease payments due			
- within one year		1,510,113	1,532,151
- in second to fifth year inclusive		4,728,261	5,382,804
- later than five years		4,353,276	5,344,627
		10,591,650	12,259,582
Less: Future finance charges		(1,971,966)	(2,342,057)
Present value of minimum lease payments		**8,619,684**	**9,917,525**
- within one year		1,172,465	1,161,710
- in second to fifth year inclusive		3,720,992	4,250,533
- later than five years		3,726,227	4,505,282
		8,619,684	**9,917,525**
Movement in lease liabilities			
Opening balance		9,917,525	10,919,024
Additions	20	153,864	-
Interest expense	6(b)	379,500	403,346
Interest paid		(227,705)	(244,989)
Repayment of principal portion		(1,420,300)	(1,310,776)
Foreign exchange differences		(183,200)	150,920
Closing balance		**8,619,684**	**9,917,525**
Lease related expenses/(gains)			
Interest expense		379,500	403,346
Depreciation of the right-of-use asset	20	1,332,995	1,316,007
Foreign exchange differences		183,200	(150,920)
		1,895,695	**1,568,433**

The average discount rate applied to lease liabilities was 2.47% and 14.06% per annum for USD and UShs denominated lease payments, respectively.

33. Events after the reporting period

The directors are not aware of any other material events after the reporting period which require adjustment to or disclosure in the financial statements.

Notes to the Financial Statements (Continued)

34. Maturity analysis of assets and liabilities

The following is the maturity profile of the Bank's assets and liabilities:

	2024			2023		
	Current UShs '000	Non-current UShs '000	Total UShs '000	Current UShs '000	Non-current UShs '000	Total UShs '000
Assets						
Cash and balances with Bank of Uganda	198,984,257	-	198,984,257	215,775,055	-	215,775,055
Investment in government securities	422,913,043	548,848,085	971,761,128	493,097,080	381,008,397	874,105,477
Due from group companies	3,824,254	-	3,824,254	2,626,525	-	2,626,525
Deposit due from other banks	409,569,749	-	409,569,749	424,676,491	-	424,676,491
Loans and advances to customers	431,012,463	1,015,992,157	1,447,004,620	149,692,862	1,090,189,833	1,239,882,695
Other assets	6,160,495	-	6,160,495	12,063,828	-	12,063,828
Current income tax recoverable	1,837,183	-	1,837,183	1,766,456	-	1,766,456
Intangible assets	-	38,789	38,789	-	39,489	39,489
Property, equipment and right-of-use assets	-	34,258,975	34,258,975	-	36,438,472	36,438,472
Deferred tax assets	-	8,596,043	8,596,043	-	2,937,775	2,937,775
Disposal group assets	-	-	-	40,000	-	40,000
	1,474,301,444	**1,607,734,049**	**3,082,035,493**	**1,299,738,297**	**1,510,613,966**	**2,810,352,263**
Liabilities						
Customer deposits	1,801,534,097	403,319,342	2,204,853,439	328,245,136	1,696,696,843	2,024,941,979
Borrowed funds	3,672,921	15,230,438	18,903,359	75,453,273	-	75,453,273
Other liabilities	44,171,372	7,401,882	51,573,254	15,133,876	41,578,888	56,712,764
Lease liability	1,172,465	7,447,219	8,619,684	1,161,710	8,755,815	9,917,525
	1,850,550,855	**433,398,881**	**2,283,949,736**	**419,993,995**	**1,747,031,546**	**2,167,025,541**
Net assets	**(376,249,411)**	**1,174,335,168**	**798,085,757**	**879,744,302**	**(236,417,580)**	**643,326,722**