Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

Bank of Baroda	(Uganda)	) Limited
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# **Corporate Information**

## Nature of business and principal activities

Vastina Rukimirana Nsanze C

Shashi Dhar (from March 16, 2023) Raj Kumar Meena (up to March 15, 2023)

Prithvi Singh Bhati

Debadatta Chand (up to February 12, 2024)

Lalit Tyagi (from February 5, 2024)

Sempijja Thadeus

Fred Kakongoro Muhumuza

Odoch Charles Langoya

Commercial banking services

Chairperson Managing Director

Managing Director
Executive Director

Non-Executive Director Non-Executive Director Non-Executive Director

Alternate Chairperson
/Non-Executive Director
Non-Executive Director

### Chief Officers / Executives

**Directors** 

Shashi Dhar Prithvi Singh Bhati Saidah Nabakka

Santosh Kumar Patel

Mbaziira Francis

Sahu Keshavkant Kigenyi Saadi Kifaana

Kyomukama Jacqueline

Shaminah Namukuve Kakaire

Santosh Kumar Singh

Telang Anurag Jitendra Darji

Deependra Singh Senkumba Ahmed

Santosh Kumar Sahoo

Managing Director Executive Director Financial Controller

In-charge, Information Technology (from

24.10.2023) Head Compliance

In-charge, Treasury (from 22.10.2023)

Head Internal Audit Head Risk Management

In- charge, Human Resource Management

**Head Credit** 

In-charge, Operations (from 23.09.2023)

In-charge, Recovery and

In-charge, Marketing (from 23.09.2023)

Manager Legal

Head administration (from 23.09.2023)

### **Board Credit Committee**

Sempijja Thadeus Odoch Charles Langova

Shashi Dhar (from March 16, 2023)

Prithvi Singh Bhati

Chairperson (up to 20.03.2023) Chairperson (from 21.03.2023)

Managing Director Executive Director

## **Board Audit Committee**

Fred Kakongoro Muhumuza Odoch Charles Langoya Sempijja Thadeus Chairman (up to 20.03.2023) Non-Executive Director Chairman (from 20.03.2023)

### Board Risk Management Committee & Information Technology/Cyber Security

Odoch Charles Langoya Shashi Dhar

Snasni Dnar Sempijja Thadeus Chairperson Managing Director Non-Executive Director

### **Board Asset and Liabilities Committee**

Odoch Charles Langoya

Shashi Dhar

Fred Kakongoro Muhumuza (upto

20.03.2023)

Prithvi Singh Bhati (from 21.03.2023)

Chairperson Managing Director

**Executive Director** 

Non-Executive Director

### **Board Human Resource and Compensation Committee**

Odoch Charles Langoya

Sempijja Thadeus

Chairperson

Non-Executive Director

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **Corporate Information (Continued)**

Registered Office Plot 18, Kampala Road,

P. O. Box 7197 Kampala, Uganda

Company Secretary Anne Tumwesigye Mbonye

P. O. Box 7197 Kampala, Uganda

Independent Auditor Ernst & Yong

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

Bank of Baroda Mumbai Main Office Vostro A/c Cell

2<sup>nd</sup> Floor, Mumbai Samachar Marg,

Mumbai - 400023

Standard Chartered Bank, 3, Madison Avenue # 1,

New York, United States of America

Parent Bank Bank of Baroda

Baroda Corporate Center

C26, G-Block, Bandra - Kurla Complex Bandra East, Mumbai - 400 051

Incorporated in India

Subsidiary Baroda Capital Markets (Uganda) Limited

P. O. Box 7197 Kampala, Uganda

Tax Identification Number 1000025701

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **Corporate Information (Continued)**

## Head Office / Main Branch

Plot 18, Kampala RoadP. O. Box 7197 Kampala, Uganda

### **Branches**

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

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

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

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

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

<u>Lugazi</u> Plot 101/102, Lugazi P. O. Box 113 Lugazi, Uganda Iganga 84A & 84B Main Street P. O. Box 61 Iganga, Uganda

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

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

<u>Lira</u> Plot No 2, Aputi Road P. O. Box 266 Lira, Uganda

Mukono Plot No 59-67, Jinja Road P. O. Box 122 Mukono, Uganda Ovino Market
Plot 24,26 & 28
Shikh Temple
Rahid Khamis road, Old Kampala
Kampala, Uganda

<u>Kabale</u> Plot No.94, Kabale Main Road P. O. Box 1137 Kabale, Uganda

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

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

<u>Kololo</u> Plot -31, Kira Road Kampala, Uganda

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **Corporate Governance Statement**

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

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

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

The Group's governance framework enables the Bank's 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 theBoard 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 2
- Executive Directors
- Non-Executive Directors 4

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

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

The Board evaluates the performance of 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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **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 and Group; ensuring competent management of the business; internal control; compliance with laws and regulations and reporting performance to shareholders.

### Attendance at meetings

The attendance of members at Board meetings during 2023 is detailed below:

Name of Director	Q1	Q2	Q3	Q4
Vastina Rukimirana Nsanze	A	Α	Α	Α
Fred Kakongoro Muhumuza	Α	Α	Α	Α
Sempijja Thadeus	A	Α	Α	Α
Odoch Charles Langoya	A	Α	Α	Α
Debadatta Chand	A	Α	AP	Α
Shashi Dhar	Α	Α	Α	Α
Prithvi Singh Bhati	Α	Α	Α	Α

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

## Separation of roles and responsibilities

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

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

### **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
- · Board Credit Committee
- Board Risk Management and Information Technology/ Cyber security Committee
- · Board Assets and Liabilities Committee
- Board Human Resources and Compensation Committee

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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **Corporate Governance Statement (Continued)**

### **Board Audit Committee**

This Committee is constituted in accordance with the Financial Institutions Act, 2004 (and 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
Fred Kakongoro Muhumuza	A	NM	NM	NM
Sempiija Thadeus	Α	Α	Α	Α
Odoch Charles Langoya	A	Α	Α	Α

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

### **Board Credit Committee**

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

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

### **Board Human Resources and Compensation Committee**

The purpose of this committee is to attend to human capital and administrative matters within the Bank. The 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 T <b>hade</b> us	Α	Α	Α	Α
Odoch Charles Langoya	NM	Α	Α	Α
Fred Kakongoro Muhumuza	Α	NM	NM	NM
Prithvi Singh Bhati	Α	NM	NM	NM

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

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **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	А	Α	Α	Α
Sempijja Thadeus	N/M	Α	Α	Α
Shashi Dhar	A	Α	Α	Α

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

### **Board Assets and Liabilities Committee**

The Board Asset and Liability Committee ("BALCO") assists the Board by assessing the adequacy and monitoring the implementation, of the Group and the Bank's Asset Liability Management Policy ("ALM policy") and related procedures. The ALM Policy includes specific policies and procedures relating to (i) interest rate risk, (ii) market/investment risk, (iii) liquidity risk, and (iv) capital risk. BALCO is supported by the management 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
Odoch Charles Langoya	Α	Α	Α	Α
Shashi Dhar	A	Α	Α	Α
Fred Kakongoro Muhumuza	A	NM	NM	NM
Prithvi Singh Bhati	A	А	Α	Α

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

## 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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **Corporate Governance Statement (Continued)**

### 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 Group are included in Note 29 to the consolidated and separate financial statements.

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

### Risk management

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

### Relations with shareholders

The Board recognises the importance of good communication with all shareholders. The Annual General Meeting (AGM) 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, 2012.

Vastina Rukimirana Nsanze Chairperson

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Shashi Dhar Managing Director

Prithvi Singh Bhati Executive Director

2H April 2024

Kampala, Uganda

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **Directors' Report**

The directors have pleasure in submitting their report together with the audited consolidated and separate financial statements of Bank of Baroda (Uganda) Limited ("the Bank") and its subsidiary, Baroda Capital Markets (U) Limited ("the subsidiary"), collectively referred to as "the Group", for the year ended December 31, 2023 which disclose the state of affairs of the Group.

### 1. Nature of business

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

Authorised			2023 Number of	2022 shares
Ordinary shares		<u>15</u>	5,000,000,000	2,500,000,000
Issued and paid-up share capital	2023 UShs '000	2022 UShs '000	2023 Number of	2022 shares
Ordinary shares	150,000,000	25,000,000 1	5,000,000,000	2,500,000,000

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 Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in liquidity, foreign currency exchange rates and interest rates. The Group'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 Group 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	
Shashi Dhar	Indian	Appointed on March 16, 2023
Raj Kumar Meena	Indian	Completed his tenure on March 15, 2023
Prithvi Singh Bhati	Indian	
Debadatta Chand	Indian	Resigned on February 12, 2024
Tyagi Lalit	Indian	Appointed on February 5, 2024
Sempijja Thadeus	Ugandan	
Fred Kakongoro Muhumuza	Ugandan	
Odoch Charles Langoya	Ugandan	

## 5. Directors' interests in shares

As at December 31, 2023, Shashi Dhar held 1,250 ordinary shares of the Bank. However, the Director holds those shares non-beneficially on behalf of the parent company.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **Directors' Report (Continued)**

### 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 consolidated and separate 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 consolidated and separate financial statements.

## 8. Operating and regulatory environment

### Operating 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 3,720 in January 2023 while the average for the year was 3,726 and closing rate at 31 December 2023 was 3,787.

### 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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **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 2023, the Bank recruited 1 Officer and 7 Banking Assistants. A promotion exercise was also conducted where 3 staff were promoted from Supervisor to Officer Cadre, 4 Clerk (Banking Assistant) to Supervisor and 1 Non-Clerical to Clerical Cadre.

### 11. Information technology

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

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

### 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 consolidated and separate 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, 2012. Consequently, the subsidiary is under liquidation and its final financial statements are expected to be filed with the Official Receiver and then the liquidation process is expected to be completed in the subsequent year. As such, the subsidiary is not a going concern and the assets and liabilities of the subsidiary have been stated at their recoverable amount, which is the lower of carrying amount and fair value less costs to sell.

## 14. Independent auditor

Ernst & Young was appointed as the statutory auditor of the Bank in accordance with Section 167(1) of the Companies Act, 2012 and were duly approved by Bank of Uganda in accordance with Section 62 of the Financial Institutions Act, 2004 (as amended).

## 15. Secretary

The company secretary is Anne Tumwesigye Mbonye of:

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

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **Directors' Report (Continued)**

### 16. Dividends

During the year 2023, the dividend (for the year 2022) at UShs 2 per share amounting to UShs 30 billion was paid. During the year 2022, the dividend (for the year 2020) at UShs 10 per share amounting to UShs 25 billion was paid and the dividend (for the year 2021) at UShs 10 per share amounting to UShs 25 billion was also paid. Thus, during the year 2022, a total of UShs 50 billion was paid as dividends.

The Directors recommend the approval of a dividend for the year ended 31 December 2023 of UShs 30 billion or UShs 2 per share.

## 17. Approval of the consolidated and separate financial statements

The annual report and the consolidated and separate financial statements were approved by the Board of Directors on 23rd March, 2024.

By Order of the Board,

Anne Tumwesigye Mbonye Company Secretary

Kampala Hoanda

\_2024

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# **Directors' Responsibilities and Approval**

The Directors are required, in terms of the Companies Act, 2012 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 consolidated and separate financial statements. It is the Directors' responsibility to ensure that the annual report and consolidated and separate financial statements fairly present the state of financial affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, 2012 and Financial Institutions Act, 2004 (as amended).

The annual report and consolidated and separate 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, 2012 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 Group and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operational risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations 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 consolidated and separate 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 to the independent auditor during the audit are valid and appropriate.

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

The annual report and consolidated and separate financial statements were approved by the Board of Directors on 23 rd Movel, 2024 and were signed on its behalfby:

Vastina Rukimirana Nsanze

Chairperson

Shashi Dhar Managing Director

Prithvi Singh Bhati Executive Director

April : Kampala, Uganda



Ernst & Young
Certified Public Accountants of Uganda
Ernst & Young House
Plot 18, Clement Hill Road
Shimoni Office Village,
P.O.Box 7215
Kampala, Uganda

The firm is licensed and regulatedby ICPAU; No: AF 0010

Tel: +256 414 343520/4 Fax: +256 414 251736 Email: info.uganda@ug.ey.com

www.ey.com

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

### REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated and separate financial statements of Bank of Baroda (Uganda) Limited ("the Bank") and its subsidiary ("the Group") set out on pages 20 to 73, which comprise of the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate 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, 2012, the Financial Institutions Act, 2004, as amended by the Financial Institutions (Amendment) Act, 2016 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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other matter

The consolidated and separate financial statements of Bank of Baroda (Uganda) Limited for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 20 April 2023.

### **Key Audit Matters**

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

The Key Audit Matter applies to both the audit of the consolidated and separate financial statements.



### INDEPENDENT AUDITOR'S REPORT (Continued)

### REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

### **Key Audit Matters (Continued)**

## **Key Audit Matter**

### How the matter was addressed in the audit

## Determination of expected credit losses on loans and advances

As disclosed in Note 16 to the consolidated and separate financial statements, as at 31 December 2023, the Group had an allowance for expected credit losses of Ushs 13 billion (2022: Ushs 22 billion) charged on gross loans and advances to customers of Ushs 1,258 billion (2022: Ushs 1,112 billion). The related credit for the year to profit or loss was Ushs 9 billion (2022: charge of Ushs 11 billion) as disclosed in Note 16 to the consolidated and separate 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 Group 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).
- Stratification of the loans and advances to customers under different credit portfolios on the basis of the associated credit risk.
- 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.

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 performance materiality while the qualitative factors considered aspects such as facilities watch-listed by management and the regulator, 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 Group without undue cost and effort. This included considering past experience of the



### **Key Audit Matter**

- Expected utilisation of overdraft and other lending commitments over the lifetime of the commitments.
- Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss model.

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.

The disclosures in Notes 1.2, 1.11 and 3 to the consolidated and separate financial statements provide information about the Group's ECL models and the related accounting policies, key assumptions and judgements.

### How the matter was addressed in the audit

- time it takes to complete a foreclosure including factors such as the time required to complete relevant legal processes as adjusted for changes in the business environment.
- We evaluated whether necessary adjustments to the expected cash flows were considered including a reasonable estimate of the costs expected to be incurred to recover the expected cash flows.
- 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 Group. 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 Group's policy.

Assessed whether disclosures made in the consolidated and separate financial statements agreed to the audited balances and information, and whether they were in accordance with IFRS  $_{\mbox{\scriptsize Q}}$ 

### Other Information

The directors are responsible for the other information. The other information comprises the information included on pages 1 to 15, which includes the Corporate Information, Corporate Governance Statement, Directors' Report as required by the Companies Act, 2012 of Uganda and the Statement of Directors' Responsibilities, 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 consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed 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 Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2012, the Financial Institutions Act, 2004, as amended by the Financial Institutions (Amendment) Act, 2016 and the Financial Institutions Regulations of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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



## INDEPENDENT AUDITOR'S REPORT (Continued)

### REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

## Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether
  due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is
  sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting
  from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,
  misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate
  in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's
  internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including
  the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions
  and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 consolidated and separate 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, 2012 of Uganda, we report to you, based on our audit, that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit;
- ii. In our opinion, proper books of account have been kept by the Group and Company, so far as appears from our examination of those books; and
- iii. The consolidated and separate statements of financial position and the consolidated and separate statements 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** 

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Kampala, Uganda

Julius Rwajekare Partner

24 (04/ 2024

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

		Cor	nsolidated	Se	eparate
	M-4-	2023	2022 UShs'000	2023 UShs'000	2022 UShs'000
Continuing operations	Note	UShs'000	05ns 000	03118 000	03115 000
Interest income calculated using the effective interest method	5	263,042,344	227,666,481	263,042,344	227,666,481
Interest expense calculated using the effective interest method	6(a)	(85,176,799)	(56,304,699)	(85,176,799)	(56,304,699)
Other interest and similar expense	6(b)	(403,346)	(442,020)	(403,346)	(442,020)
Net interest income		177,462,199	170,919,762	177,462,199	170,919,762
Non-interest income Other income	7 11	31,987,513 -	<b>34</b> ,071,677	31,987,513 432,556	34,071,677 -
Operating expenses	8	(46,581,089)	(37,009,688)	(46,581,089)	(37,009,688)
Expected credit losses	16	(9,553,025)	(11,065,014)	(9,553,025)	(11,065,014)
Profit before taxation		153,315,598	156,916,737	153,748,154	156,916,737
Income tax charge	10	(37,381,989)	(34,731,723)	(37,381,989)	(34,731,723)
Profit from continuing operations		115,933,609	122,185,014	116,366,165	122,185,014
Discontinued operations	44	22.405	40.050		
Profit from discontinued operations (net of tax)  Profit for the year	11	32,465 115,966,074	10,952 <b>122,195,966</b>	116,366,165	122,185,014
Other comprehensive income		110,000,074	122,133,360	110,300,103	122,103,014
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax) Fair value gain/(loss) on investment in government securities at FVTOCI (net of tax) Reclassified to profit or loss of fair value differences on investments in government		10,418,724	(13,789,665)	10,418,724	(13,789,665)
securities at FVTOCI (net of tax)  Net other comprehensive loss that may be		(2,973,492)	(2,777,317)	(2,973,492)	(2,777,317)
reclassified to profit or loss in subsequent periods	13	7,445,232	(16,566,982)	7,445,232	(16,566,982)
Other comprehensive income that will not be reclassified to the income statement Gain on property revaluation	20	6 044 252		6.944.252	
Net other comprehensive income/(loss) that	20	6,944,252	<del>-</del>	0,944,252	<del>-</del> _
will not be reclassified to profit or loss in subsequent periods		6,944,252		6,944,252	
Other comprehensive income/(loss) for the year, net of tax		14,389,484	(16,566,982)	14,389,484	(16,566,982)
Total comprehensive income for the year, net of tax		130,355,558	105,628,984	130,755,649	105,618,032
Earnings per share		Ushs	Ushs		
Basic and diluted earnings per share -			USIIS		
continuing operations Basic and diluted earnings per share -	30	7.729	48.87		
continuing and discontinued operations	30	7.731	48.87		

The notes on pages 25 to 73 are an integral part of these consolidated and separate financial statements.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

## Consolidated and Separate Statement of Financial Position

		Group		Bank		
		2023	2022	2023	2022	
	Note	UShs '000	UShs '000	UShs '000	UShs '000	
ASSETS						
Cash and balances with Bank of Uganda	12	215,775,055	228,514,586	215,775,055	228,514,586	
Investment in government securities	13	874,105,477	787,992,707	874,105,477	787,992,707	
Due from group companies	14	2,626,525	6,292,990	2,626,525	6,292,990	
Deposit due from other banks	15	424,676,491	282,869,624	424,676,491	282,869,624	
Loans and advances to customers	16	1,239,882,695	1,089,050,974	1,239,882,695	1,089,050,974	
Other assets	17	6,539,911	5,235,400	6,539,911	5,235,400	
Current income tax recoverable	18	1,766,456	364,885	1,766,456	364,885	
Intangible assets	19	39,489	76,955	39,489	76,955	
Property, equipment and right-of-use assets	20	36,438,472	27,053,210	36,438,472	27,053,210	
Deferred tax asset	21	2,937,775	7,681,070	2,937,775	7,681,070	
Disposal group assets	11	40,000	716,765	40,000	40,000	
TOTAL ASSETS		2,804,828,346	2,435,849,166	2,804,828,346	2,435,172,401	
EQUITY AND LIABILITIES						
Equity						
Share capital	22	150,000,000	25,000,000	150,000,000	25,000,000	
Revaluation reserve		13,778,158	7,467,700	13,778,158	7,467,700	
Fair value reserve		(5,005,843)	(12,451,075)	(5,005,843)	(12,451,075)	
Proposed dividend		30,000,000	25,000,000	30,000,000	25,000,000	
Retained earnings		520,078,699	565,302,349	520,078,698	564,902,257	
Total equity		708,851,014	610,318,974	708,851,013	609,918,882	
Liabilities						
Customer deposits	24	2,024,941,979	1,777,297,079	2,024,941,979	1,777,297,080	
Borrowed funds	25	14,322,590	8,725,514	14,322,590	8,725,514	
Other liabilities	26	56,712,763	39,230,925	56,712,764	39,230,925	
Disposal group liabilities	11	-	276,674	-		
Total liabilities	• • •	2,095,977,332	1,825,530,192	2,095,977,333	1,825,253,519	
TOTAL EQUITY AND LIABILITIES		2,804,828,346	2,435,849,166	2,804,828,346	2,435,172,401	
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The consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on 23 Morel, 2024 and were signed on its behalf by:

Vastina Rukimirana Nsanze Chairperson

Prithvi Singh Bhati Executive Director

Shashi Dhar Managing Director

Anne Tumwesigye Moonye Company Secretary

The notes on pages 25 to 73 are an integral part of these consolidated and separate financial statements.

# Consolidated and Separate Statement of Changes in Equity

Group	Note	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, 2022		25,000,000		7,860,737	4,115,907	50,000,000	467,713,346	554,689,990
Profit for the year			-	<del>-</del>		-	122,195,966	122,195,966
Other comprehensive income		_	-	_	(16,566,982)	_	• •	(16,566,982)
Total comprehensive income for the year, net of tax		-	-	-	(16,566,982)		122,195,966	105,628,984
Dividend paid	22			_	<del>-</del>	(50,000,000)	<u> </u>	(50,000,000)
Dividend proposed	22	_	_	_		25,000,000	(25,000,000)	-
Total transactions with owners of the group		_	-	-	_	(25,000,000)	(25,000,000)	(50,000,000)
Transfer of excess depreciation (net of tax)		-	-	(393,037)	-	-	393,037	-
Balance at December 31, 2022		25,000,000	-	7,467,700	(12,451,075)	25,000,000	565,302,349	610,318,974
Balance at January 1, 2023		25,000,000	-	7,467,700	(12,451,075)	25,000,000	565,302,349	610,318,974
Profit for the year		_	_		_		115,966,074	115,966,074
Other comprehensive income		-	-	6,944,252	7,445,232	-	· · ·	14,389,484
Total comprehensive income for the year, net of tax		<u> </u>	_	6,944,252	7,445,232	_	115,966,074	130,355,558
Issue of bonus shares	22	125,000,000					(125,000,000)	-
Bonus share 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 Group		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		-	•	-	-	-	271,627	271,627
Balance at December 31, 2023		150,000,000	-	13,778,158	(5,005,843)	30,000,000	520,078,699	708,851,014

# Consolidated and Separate Statement of Changes in Equity (Continued)

Bank		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, 2022		25,000,000	-	7,860,737	4,115,907	50,000,000	467,324,206	554,300,850
Profit for the year			-	-	-	-	122,185,014	122,185,014
Other comprehensive income			-	-	(16,566,982)	-	-	(16,566,982)
Total comprehensive income for the year, net of tax	-	-	<u> </u>	-	(16,566,982)		122,185,014	105,618,032
Dividend paid	22 [	-	-	-		(50,000,000)		(50,000,000)
	22	_	_	_	=	25,000,000	(25,000,000)	-
Total transactions with owners of the Bank		-	-	-	-	(25,000,000)	(25,000,000)	(50,000,000)
Transfer of excess depreciation (net of tax)	_		-	(393,037)	-		393,037	_
Balance at December 31, 2022	_	25,000,000	-	7,467,700	(12,451,075)	25,000,000	564,902,257	609,918,882
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		-		_		<del></del>	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)	_ 1
	22	120,000,000	_	_	_	_	(2,095,145)	(2,095,145)
	22	•	1.50	-	-	(25,000,000)	(5,000,000)	(30,000,000)
	22					30,000,000	(30,000,000)	(50,000,000)
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		_	-	-	-	_	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

The notes on pages 25 to 73 are an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statement of Cash Flows

		Group		Bank		
		2023	2022	2023	2022	
	Note	UShs '000	UShs '000	UShs '000	UShs '000	
Operating activities						
Interest receipts		217,142,591	226,570,491	217,142,591	226,570,491	
Interest payments		(69,455,968)	(53,231,605)	(69,455,968)	(53,231,605)	
Net fees and commission receipts		10,417,615	18,259,970	10,417,615	18,259,970	
Other income received		6,903,195	8,771,588	6,903,195	8,771,588	
Recoveries on loans previously written off	6	14,666,703	8,451,167	14,666,703	8,451,167	
Payments to employees and suppliers		(25,444,924)	(34,265,399)	(25,845,015)	(34,225,061)	
Unrealised exchange foreign loss		(2,724,880)	(2,056,498)	(2,724,880)	(2,056,498)	
Dividend received	11	-	-	432,556	=	
Profit from discontinued operations	11	32,465	10,953	-	-	
Changes in working capital items:						
Increase in loans and advances to customers		(141,278,696)	(158,019,738)	(141,278,696)	(158,019,738)	
Increase in cash reserve requirement		(7,970,000)	(48,340,000)	(7,970,000)	(48,340,000)	
Increase in investments in government		(000 444 050)	•			
securities maturing after 3 months Increase in other assets		(286,144,659)	(83,796,230)	(286,144,659)	(83,796,230)	
		(1,304,511)	(544,350)	(1,304,511)	(544,350)	
Increase in customer deposits Increase/(decrease) in borrowed funds		247,644,899	185,081,355	247,644,899	185,081,355	
Increase in other liabilities		5,597,076	(340,208)	5,597,076	(340,208)	
increase in other habilities		17,481,839 (14,437,255)	6,204,541 <b>72,756,037</b>	17,481,839 (14,437,255)	6,175,156 72,756,037	
Income tax paid	18	(39,935,560)	(34,958,398)	(39,935,560)	(34,958,398)	
Net cash flows (used in)/from			,	· · · · · · · · · · · · · · · · · · ·		
operating activities		(54,372,815)	37,797,639	(54,372,815)	37,797,639	
Investing activities						
Purchase of intangible assets	19	(0.400)		(0.400)		
Purchase of property and equipment	20	(8,400)	- (000 F30)	(8,400)	(000 500)	
	20	(2,341,408)	(802,538)	(2,341,408)	(802,538)	
Proceeds from disposal of equipment  Net cash flows used in investing		47,636	24,542	47,636	24,542	
activities		(2,302,172)	(777,996)	(2,302,172)	(777,996)	
			,			
Financing activities						
Dividends paid	22	(25,000,000)	(50,000,000)	(25,000,000)	(50,000,000)	
Costs paid on bonus share issue	22	(2,095,145)	(0.4.4.450)	(2,095,145)	-	
Interest paid on lease	32	(244,989)	(244,450)	(244,989)	(244,450)	
Lease payments - Principle	32	(1,310,776) (28,650,910)	(1,308,400) (51,552,850)	(1,310,776) (28,650,910)	(1,308,400) (51,552,850)	
		(20,030,310)	(31,332,030)	(20,030,910)	(31,332,630)	
Net decrease in cash and cash						
equivalents		(85,325,897)	(14,533,207)	(85,325,897)	(14,533,207)	
Cash and cash equivalents at 1 January		630,843,752	643,320,461	630,843,752	643,320,461	
Effect of exchange rate differences		2,724,880	2,056,498	2,724,880	2,056,498	
Cash and cash equivalents at 31 December	27	548,242,735	630,843,752	548,242,735	630,843,752	
				11		

The notes on pages 25 to 73 are an integral part of these consolidated and separate financial statements.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements

### Corporate information

Bank of Baroda (Uganda) Limited ("the Bank") is a public limited liability company incorporated and domiciled in Uganda. The Bank started its operations in Uganda and opened 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").

The consolidated financial statements of the Group for the year ended December 31, 2023 comprise the Bank and its subsidiary, Baroda Capital Markets (Uganda) Limited ("the subsidiary"). The subsidiary was engaged in brokerage of securities and shares traded at the USE. The subsidiary is under liquidation.

The separate financial statements for the year ended December 31, 2023 comprise the Bank's financial statements.

### 1. Material accounting policies

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

### 1.1 Basis of preparation

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

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

These accounting policies are consistent with those applied in the previous period as the IFRS pronouncements affective during the year did not have a significant impact on the Group's financial statements and the Group has not early adopted any new IFRS pronouncement issued but not yet effective.

### 1.2 Material accounting judgements, estimates and assumptions

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

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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 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 Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For individually significant financial assets, the Group 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 Group's legal position, etc. Many of the key judgement factors have a degree of interdependency, therefore a significant level of judgement is required.

For financial assets which are not individually significant, which comprise a large number of loans that 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 1.16 and 3.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 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 1.16 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 29 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 Group 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 consolidated and separate financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group 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 contingent liabilities are included in Note 32.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 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 Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Refer to Note 10 for further information on recognition of deferred tax assets.

### Impairment of non-financial assets

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

### 1.3 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity (investee) and has the ability to affect those returns through its power over the entity. The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

### Separate financial statements

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. Dividend income is recognised when the right to receive payment is established.

### 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 Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

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

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

### 1.4 Revenue (continued)

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

### Fees and commission on financial services

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

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

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

### 1.6 Brokerage fees

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

### 1.7 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 Group, and the cost of the item can be measured reliably.

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

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

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

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

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.

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 Computer software Useful life 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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

### 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 Group and all its' employees contribute to the National Social Security Fund, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the Group pays a fixed contribution to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all 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 Group and employees.

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

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

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

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

### 1.13 Leases (Continued)

### As a lessee

The Group 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 earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease lability comprise the following:

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

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

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

### Short-term leases and leases of low-value assets

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

## 1.14 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.

## 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.

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# Notes to the Consolidated and Separate Financial Statements (Continued)

### 1.14 Tax (continued)

### Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits 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 Impairment of non-financial assets

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

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

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

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

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

## 1.16 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 Group 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 market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group 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 Group 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 except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differsfrom the transaction price.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

### 1.16 Financial instruments (continued)

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 Group recognises the difference between the transaction price—and fair value in net—trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

### Measurement categories of financial assets and liabilities

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

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

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

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

### 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 Group has access to at the measurement date. The Group considers markets as active only if there are enough trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the reporting date.

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

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

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

### Financial assets at amortized cost

The Group 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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

### 1.16 Financial instruments (continued)

### **Business model assessment**

The Group determines its business model at the level that best reflects how it manages groups 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 Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

### The SPPI test

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

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

### Financial assets and liabilities held at FVTPL

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

## Debt instruments at FVOCI

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

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual
  cash 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 recongised in OCI will be recycled upon derecognition of the asset.

### **Equity instruments at FVOCI**

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

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

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 1.16 Financial instruments (continued)

#### Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

#### Reclassification of financial assets and liabilities

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

#### Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

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

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

For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification

#### Financial assets

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

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

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

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 1.16 Financial instruments (continued)

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

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

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original 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 Group 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 group of similar transactions such as in the Group's trading activity.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 1.16 Financial instruments (continued)

## Impairment of financial assets

#### Overview of the ECL principles

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

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

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

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

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

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

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL.
   Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3. Instances for stage 2 may include a customer with various facilities and defaults on one of them, restructured debt and/ sector affected by natural hazards.
- Stage 3: Loans considered credit impaired. The Group records an allowance for the LTECL. Instances may
  include customer being declared bankrupt by an independent government authority, pronounced a defaulter by
  another financial institution and receiving a directive from the regulator to fully impair 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 Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

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# Notes to the Consolidated and Separate Financial Statements (Continued)

#### 1.16 Financial instruments (continued)

#### The calculation of ECL

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

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

#### Probability of Default (PD):

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

#### Exposure at Default (EAD):

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

#### Loss Given Default:

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based 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 Group 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 Group'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.

The Group 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 Group portfolio's historical default behaviour.

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# Notes to the Consolidated and Separate Financial Statements (Continued)

## 1.16 Financial instruments (continued)

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 Group determines and obtains quarterly historical macroeconomic variables related to the portfolio, the Group'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:

Variable	Worst case	Best case	Annual Standard Deviation	Quarterly Standard Deviation
GDP: Nominal GDP, USD, % y-o-y	88.76%	111.24%	22.49%	11.24%
Money supply: M3, % y-o-y	98.01%	101.99%	3.99%	1.99%
Exchange rate: UShs/USD, eop % y-o-y	96.41%	103.59%	7.18%	3.59%
Interest rates: Lending rate, %, eop	101.51%	98.49%	3.02%	1.51%
Inflation: Consumer price inflation, % y-o-y, eop	101.46%	98.54%	2.91%	1.46%

#### 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 onbalance 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 would not be constructed and as such losses are being taken on an incurred loss basis.

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

## 1.17 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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 1.18 Provisions and contingencies

Provisions are recognised when:

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

Contingent assets and contingent liabilities are not recognised.

## 1.19 Equity

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

#### 1.20 Consolidation

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

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

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

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

#### 1.21 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).

## 1.22 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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 1.23 Discontinued operations

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

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

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

#### 1.24 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 Group 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 Group as a whole.

## 2. New and amended standards and interpretations

### 2.1 Standards that became effective during the year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group 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 consolidated and separate financial statements.

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies Amendments to IAS 1 and IFRS Practice Statement 2
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Definition of Accounting Estimates Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction Amendments to IAS 12
- International Tax Reform Pillar Two Model Rules Amendments to IAS 12

### 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 consolidated and separate financial statements are disclosed below.

- Classification of liabilities as current or non-current and non-current liabilities with covenants Amendments to IAS 1 (Effective for annual periods on or after 1 January 2024)
- Lease liability in a sale and leaseback Amendments to IFRS 16 (Effective for annual periods on or after 1 January 2024)
- Disclosures: Supplier finance arrangements Amendments to IAS 7 and IFRS 7 (Effective for annual periods on or after 1 January 2024)
- 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 Group 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 Group's financial statements.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 3. Financial risk management

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

Financial risk management is carried out by the Treasury and Credit 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 Group'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 Group'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 120 billion by 31 December 2023 (2022: UShs 120 billion) and UShs 150 billion by June 2024;
- 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, general provisions, subordinated debt and hybrid capital instruments.

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

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 3. Financial risk management (continued)

## (a) Capital management (continued)

The table below summarizes the composition of the regulatory capital:	Note	Bar	nk
		2023 UShs '000	2022 UShs '000
	_	USIIS UUU	03118 000
Core capital (Tier 1)			
Share capital	22	150,000,000	25,000,000
Accumulated profit		520,078,698	564,902,257
Investment in subsidiary	11	(40,000)	(40,000)
Unrealized fair value gains on Government securities	13	(10,636,046)	(10,000)
Deferred tax asset	21	(2,937,775)	(7,681,070)
FVTOCI reserve		(5,005,843)	(12,451,075)
Intangible assets	19	(39,489)	(76,955)
Total Tier 1 Capital	_	651,419,545	569,653,157
Supplementary capital (Tier 2)			
Unencumbered general provisions (FI Act)	23	12,578,354	11,072,980
Revaluation reserve		13,778,158	7,467,700
Total Tier 2 Capital	_	26,356,512	18,540,680
Total capital (Tier 1 + Tier 2)	h _	677,776,057	588,193,837
Risk weighted assets			4.074.700.400
Total risk weighted on-balance sheet items		1,535,359,311	1,271,798,439
Total risk weighted off-balance sheet items		219,586,940	234,318,083
Market risk		10,956,434	21,911,855
Counter party risk	- L	101,033,021	72,993,279
	_	1,866,935,706	1,601,021,656

Capital ratios			FIA mi	nimum	Mini	mum
Capital ratios	Acti	ual	rat	tio	buffere	ed ratio
	2023	2022	2023	2022	2023	2022
Tier 1 ratio	34.89%	35.58%	10%	10%	12.50%	12.50%
Total capital (Tier 1 + Tier 2)	36.30%	36.74%	12%	12%	14.50%	14.50%

The Bank's minimum paid-up cash capital and capital unimpaired by losses as at December 31, 2023 was above the minimum regulatory requirement of UShs 120 billion as of this date and meets the limit required by June 2024 of 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	2023	2022
		UShs'000	UShs'000
Total assets per statement of financial position		2,804,828,346	2,435,172,401
Less: Loans and advances to customers per IFRS	16	(1,239,882,695)	(1,089,050,974)
Add: Loans and advances to customers per FIA*		1,257,835,407	1,107,297,995
Total assets for capital computations purposes		2,822,781,058	2,453,419,422
Loans and advances to customers for regulatory purposes:			
Gross loans and advances	16	1,258,006,445	1,111,798,256
Less: Interest in suspense	16	(40,361)	(770,987)
Less: Regulatory specific provision	23	(130,677)	(3,729,274)
*Net loans and advances to customers for			
regulatory purposes		1,257,835,407	<u>1,107,297,995</u>
Represented by:			
Loans and advances to customers – not cash backed		1,148,634,314	1,012,508,858
Loans and advances to customers - cash backed		109,201,093	94,789,137
		1,257,835,407	1,107,297,995

Bank of Baroda (Uganda) Limited

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

#### 3. Financial risk management (continued)

# (a) Capital management (continued)

			2023			2022	
		Carrying	Risk	Risk weighted	Carrying	Risk	Risk weighted
	Note	amount	weight	amount	amount	weight	amount
		UShs'000		UShs'000	UShs'000		UShs'000
Assets							
Notes, coins and other cash assets	12	20,926,173	0%		22,648,609	0%	_
Balances with Bank of Uganda	12	194,848,882	0%	-	205,865,977	0%	_
Government securities	13	874,105,477	0%	-	787,992,707	0%	_
Placements with local banks	1.0	80,104,315	20%	16,020,863	55,152,896	20%	11,030,579
Due from banks within Uganda		25,264,063	20%	5,052,813	21,883,839	20%	4,376,768
Due from banking institutions	1	20,201,000	2070	0,002,010	21,000,000	2070	1,070,700
outside Uganda with long term						k	
rating as follows:							
Rated AAA to AA (-)		_	20%		_	20%	_
Rated A (+) to A (-)**		2,056,312	50%	1,028,156	1,794,280	50%	897,140
Rated BBB (-) and non-rated**	1	319,878,326	100%	319,878,326	210,331,599	100%	210,331,599
Due from foreign related Banking		0.0,0.0,020	10070	0.0,0.0,020	2,0,001,000	10070	2.0,00.,000
institutions outside Uganda		_	100%		_	100%	_
*Loans and advances to			1.00.0				
customers – not cash backed		1,148,634,314	100%	1,148,634,314	1,012,508,858	100%	1,012,508,858
Loans and advances to customers				1,1,1,0,000,1,000	1,0.0,000	100,0	1,012,000,000
- fully secured by cash		109,201,093	0%	_	94,789,137	0%	_
Assets of disposal	11	40,000	0%		40,000	0%	_
Property, equipment and right-of-	1	1	1		,,,,,	1	
use assets	20	36,438,472	100%	36,438,472	27,053,210	100%	27,053,210
Current tax receivable	10(c)	1,766,456	100%	1,766,456	364,885	100%	364,885
Intangible assets	19	39,489	0%		76,955	0%	-
Deferred tax asset	21	2,937,775	0%	_	7,681,070	0%	_
Other assets	17	6,539,911	100%	6,539,911	5,235,400	100%	5,235,400
Total assets		2,822,781,058		1,535,359,311	2,453,419,422		1,271,798,439
				, , , , ,			.,,,
Off-balance sheet items							
Documentary credits (trade							
related and self-liquidating)	28	47,182,300	20%	9,436,460	68,188,148	20%	13,637,630
Direct credit substitutes							
(guarantees and acceptances)	28	43,817,606	100%	43,817,606	47,573,246	100%	47,573,246
Transaction related (performance							
bonds and standbys)	28	16,700,478	50%	8,350,239	23,882,683	50%	11,941,342
Contingents secured by cash	28						
collateral	-	39,975,427	0%	-	32,556,563	0%	-
Other commitments (unused							
formal facilities)	28	315,965,270	50%	157,982,635	322,331,730	50%	<b>16</b> 1,165,865
Total off balance sheet items		463,641,081		219,586,940	494,532,370		234,318,083
Total risk-weighted on and off-	t						
balance sheet assets				1,754,946,251			1,506,116,522
Market risk				10,956,434			21,911,855
Counter party risk				101,033,021			72,993,279
Total risk-weighted items				1,866,935,706			1,601,021,656

<sup>\*\*</sup>The amounts due from banking institutions outside Uganda comprise the following:

	Rating	2023 UShs'000	2022 UShs'000
Standard Chartered Bank	(A)	2,056,312	1,794,280
Bank of Baroda, India Bank of Baroda, London Bank of Baroda, IFSC Bank of Baroda, New York Bank of Baroda (Tanzania) Limited Bank of Baroda (Kenya) Limited Bank of Baroda, Dubai	(BBB-) (BBB-) (BBB-) (BBB-) (Unrated) (Unrated) (BBB-)	77,020,017 11,805,663 98,444,877 63,040,647 19,301,182 164,340 50,101,600	70,642,397 41,012,998 55,862,682 17,151,913 18,950,946 4,190,755
Bank of Baroda, Brussels Total	(BBB-)	319,878,326	2,519,908 <b>210,331,599</b>

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

#### 3. Financial risk management (continued)

## (a) Capital management (Continued)

## 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.

		2023 Ushs '000	2022 Ushs '000
Capital measure	Tier 1 capital	651,419,545	569,653,157
Exposure measure	On and off-balance sheet exposures (regulatory): Total on balance sheet assets Off balance sheet items	2,822,781,058 463,641,081 <b>3,286,422,139</b>	2,453,419,422 494,532,370 2,947,951,792
Leverage ratio:		19.82%	19.32%

#### (b) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group byfailing to pay amounts in full when due. Credit risk is the most important risk for the Group'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 Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors. Credit risk management and control are centralised in credit and treasury departments of the Group.

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 Group 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 Group derives theexposure at default; and
- · the likely recovery ratio on the defaulted obligations.

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

#### Investments

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

#### Risk limit control and mitigation policies

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

- Formulating credit policies covering collateral requirements, credit assessment risk grading, legal procedures for documentation, reporting and compliance with regulatory and statutory requirements.
- Establishing the authority structure for approval and renewal of credit facilities. Discretionary lending powers
  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 Group.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 3. Financial risk management (continued)

## (b) Credit risk (continued)

- Developing and maintaining the Group's risk grading in order to categorise exposures according to degree of
  risk of financial loss faced and the focus on management of consequent risk or loss. The current risk grading
  framework consist of 5 categories of risk grades reflecting the varying grades of risk of default and availability
  of collaterals orother risk mitigates, risk grades are subject to regular review by the Group.
- Setting exposure limits i.e., credit concentration. The Group has in place a framework of exposure ceiling of various industries, counterparties, country (for investment securities) etc.
- Reviewing and assessing of credit risk: The Group carries out a conscious assessment of credit exposure in
  excess of designated limits, prior to the facilities being committed to the customer. This is a part of the appraisal
  system for processing 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 Group.
- The management provide assistance to the business units/branches to promote best practices for credit
  appraisal throughout the Group in management of credit risk.

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

Some other specific control and mitigation measures are outlined below:

#### Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most common one is to obtain collateral 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.

## Credit-related commitments

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

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

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 3. Financial risk management (continued)

## (b) Credit risk (continued)

Maximum exposure to credit risk before collateral held:

		Group		Ва	ınk
		2023	2022	2023	2022
	Note	UShs '000	UShs '000	UShs '000	UShs '000
Financial assets					
Balances with Bank of Uganda	12	194,848,882	205,865,977	194,848,882	205,865,977
Investment in government securities	13	874,105,477	787,992,707	874,105,477	787,992,707
Due from group companies	14	2,626,525	6,292,990	2,626,525	6,292,990
Placements due from other	15	ξ	., . ,	_,,	-,,
banks		424,676,491	282,869,624	424,676,491	282,869,624
Loans and advances to customers (net)	16	1,239,882,695	1,089,050,974	1,239,882,695	1.089.050.974
Other assets	17	6,057,731	5,235,400	6,057,731	5,235,400
		2,742,197,801	2,377,307,672	2,742,197,801	2,377,307,672
Credit exposure to off-balance sheet items:					
Acceptances and letters of credit	28	47,182,300	68,188,148	47.182.300	68,188,148
Guarantees and performance	28	60,518,084	71,455,929	60.518.084	71,455,929
Commitments to lend	28	315,965,270	322,331,730	315,965,270	322,331,730
Contingents secured by cash collateral	28	39,975,427	32,556,563	39,975,427	32,556,563
-		463,641,081	494,532,370	463,641,081	494,532,370
Total on and off-balance sheet exposure		3,205,838,882	2,871,840,042	3,205,838,882	2,871,840,042

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

39% (2022: 38%) of the total maximum exposure of the Group relates to loans and advances to customers and 27% (2022: 27%) relates to investments in government securities.

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.

# Impairment and provisioning policies

The Group's internal and external systems focus more on credit quality mapping from the inception of the lending of the loan or advance. 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.

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

- 90.03% (2022: 80.99%) of the gross loans and advances portfolio are in Stage 1;
- 53.50% (2022: 54.50%) of the loans are backed by collaterals;
- 100.00% (2022: 100%) of the investments in debt securities are government securities; and
- The Group exercises stringent control over granting of new loans.

	GROUP		BANK		
	2023	2022	2023 20		
	USh'000	USh'000	USh'000	USh'000	
Stage 1	1,132,613,615	900,483,727	1,132,613,615	900,483,727	
Stage 2	122,238,787	162,896,546	122,238,787	162,896,546	
Stage 3	3,154,043	48,417,983	3,154,043	48,417,983	
Gross loans and advances	1,258,006,445	1,111,798,256	1,258,006,445	1,111,798,256	
Less: Impairment allowance	(13,249,038)	(21,976,295)	(13,249,038)	(21,976,295)	
Less: Staff loan day 1 mark to market adjustment	(310,767)	-	(310,767)	-	
Less: Deferred loan processing fees	(4,523,584)	-	(4,523,584)	-	
Less: Interest in suspense	(40,361)	(770,987)	(40,361)	(770,987)	
Loans and advances- net	1,239,882,695	1,089,050,974	1,239,882,695	1,089,050,974	

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 3. Financial risk management (continued)

## (b) Credit risk (continued)

## 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 Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Group's credit policy, loan restructure is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

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

#### Prepayment risk

Prepayment risk primarily relates to the Bank's loan portfolio and is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. It includes its borrowers that repay or refinance their fixed rate mortgages when interest rates fall or the corporate and small business customers with prepayment options with zero or low penalties that refinance their loans when their credit quality improves to a point that they can obtain lower rates. The Bank does not incorporate the impact of the prepayments on the ECL models.

### Stage 3 loans and advances

	Group		Ba	Bank	
	2023 UShs '000	2022 UShs '000	2023 UShs '000	2022 UShs '000	
Loans					
Corporate	2,739,098	28,344,439	2,739,098	28,344,439	
Retail	123,922	395,981	123,922	395,981	
	2,863,020	28,740,420	2,863,020	28,740,420	
Overdrafts					
Corporate	-	19,542,378	-	19,542,378	
Retail	291,023	135,185	291,023	135,185	
	291,023	19,677,563	291,023	19,677,563	
Total Stage 3 loans and advances	3,154,043	48,417,983	3,154,043	48,417,983	

#### Concentration of credit risk

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

	Loans and advances		Credit commitments	
	2023	2022	2023	2022
	%		%	%
Manufacturing	43.2	47.3	37.6	30.2
Wholesale and retail trade	9.7	10.0	33.3	19.7
Transport and communication	0.2	0.3	0.3	0.7
Building and construction	9.8	11.8	17.2	17.1
Agriculture	32.2	26.0	0.6	25.1
Individuals	0.7	1.4	0.0	2.8
Others	4.2	3.2	11.0	4.4
	100.0	100.0	100.0	100.0

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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

# 3 Financial risk management (continued)

# (b) Credit risk (continued)

The table below provides a mapping of the Group'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

	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	=	122,238,786		
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)		
Carrying amount	1,123,973,078	117,841,846	2,942,482	1,244,757,406		

		At 31 December 2022 Ushs'000					
	Stage 1	Stage 2	Stage 3	Total			
Low-fair risk	900,483,727	-		900,483,727			
Higher risk	-	162,896,546	_	162,896,547			
Sub standard	-	_	7,442,460	7,442,460			
Doubtful	-	-	28,953,101	28,953,101			
Loss		-	12,022,422	12,022,422			
	900,483,727	162,896,546	48,417,983	1,111,798,256			
Loss allowance	(9,782,684)	(2,278,138)	(9,915,473)	(21,976,295)			
Carrying amount	890,701,043	160,618,408	38,502,510	1,089,821,961			

# Off balance sheet items

		Ushs'000	oer 2023	
	Stage 1	Stage 2	Stage 3	Total
Low-fair risk	439,456,446	•	-	439,456,446
Higher risk	-	24,184,635	-	24,184,635
Sub standard	-	-	-	-
Doubtful	<b>-</b> ;;	-	-	_
Loss		-	-	_
	439,456,446	24,184,635		463,641,081
Loss allowance	(724,211)	(38,557)	_	(762,768)
Carrying amount	438,732,235	24,146,078		462,878,313

		At 31 December 2022 Ushs'000					
	Stage 1	Stage 2	Stage 3	Total			
Low-fair risk	470,044,253	-	-	470,044,253			
Higher risk	-	23,440,194	-	23,440,194			
Sub standard		-	62,653	91,168			
62,653	-	-	490,024	156,022			
490,024	_	-	495,246	26,859			
495,246	470,044,253	23,440,194	1,047,923	494,532,370			
Loss allowance	(816,460)	(43,599)	(31,940)	(891,999)			
Carrying amount	469,227,793	23,396,595	1,015,983	493,640,371			

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

#### 3. Financial risk management (continued)

## (c) Liquidity risk

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

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

Bank of Uganda requires that the Group 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 Group monitors the liquidity ratio on a daily basis.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

Financial liabilities	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Gross norminal	Carrying amount
At Doggmbor 24, 2022	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
At December 31, 2023 Borrowed funds Customer deposits Other liabilities Total	1,651,899 97,286,817 1,441,796 100,380,512	270,361,861 44,590,673 <b>314,952,534</b>	3,130,273 1,664,251,945 1,532,151 1,668,914,369	6,974,340 63,779,865 5,382,804 <b>76,137,009</b>	2,566,078 2,240 5,344,627 <b>7,912,945</b>	58,292,051	14,322,590 2,024,941,979 55,949,994 <b>2,095,214,563</b>
At December 31, 2022 Borrowed funds Customer deposits Other liabilities Total liabilities	50,963,478 1,243,759 52,207,237	231,795,803 26,176,073 257,971,876	1,735,405 1,510,747,587 1,553,752 1,514,036,744	6,990,109 38,669,953 5,853,560 <b>51,513,622</b>	- 6,243,449 6,243,449	8,725,514 1,832,176,821 41,070,593 1,881,972,928	8,725,514 1,777,297,080 38,338,856 1,824,361,450

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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 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	ļ	NSFR
	Minimum	2023	2022	2023	2022
At 31 December	100%	814.25%	1,053.15%	107.69%	N/A
Average for the period	100%	690%	701.66%	N/A	N/A
Maximum for the period	100%	1,133.23%	1,053.15%	N/A	N/A
Minimum for the period	100%	335.31%	254.65%	N/A	N/A

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

### Analysis of the Group's encumbered and unencumbered assets

## 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

#### As at 31 December 2022

Asset type	Encumbered UShs '000	Unencumbered UShs '000	Total UShs '000
Investment in government securities	170,960,000	34,905,977	205,865,977
Due from group companies	-	6,292,990	6,292,990
Placements due from other banks	-	282,869,624	282,869,624
Loans and advances to customers (net)	-	1,089,050,974	1,089,050,974
Other assets		5,235,400	5,235,400
	170,960,000	1,418,354,965	1,589,314,965

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

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

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, Euro and GBP. The risk arises from future transactions and the assets and liabilities held at the reporting date. The Group is exposed to currency risk through transactions in foreign currencies. The Group'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 Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The 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:

	2023	2022
	UShs	UShs
US Dollar	3,787	3,720
GBP	4,835	4,478
Euro	4,192	3,961
INR	45.52	45
KSh	24.43	30

2022

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.

	EURO	USD	GBP	Others	Total
	UShs '000	UShs '000	UShs '000	UShs'000	UShs '000
At December, 31 2023					
Profit before tax	15,254	(1,592,353)	548	105,828	(1,470,723)
Profit after tax and equity	10,678	(1,114,647)	384	74,079	(1,029,506)
At December, 31 2022					
Profit before tax	34,784	(929,909)	9,478	46,886	(838,761)
Profit after tax and equity	24,349	(650,936)	6,635	32,820	(587,133)

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

# 3 Financial risk management (continued)

# (d) Market risk (continued)

# Foreign exchange risk (continued)

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

At December 31, 2023	EURO UShs '000	USD UShs '000	GBP UShs '000	Others UShs'000	Total UShs '000
Financial assets	7 7,50	222			40
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 Loans and advances to customers	5,416,248	328,979,399	10,176,530	-	344,572,177
Other assets	75,523	895,050,448 5,168,058	37,709	529,138	895,050,448
Total financial assets	6,113,470	1,242,289,789	12,176,280	1,257,138	5,810,428 1,261,836,677
Financial liabilities	0,110,470	1,2-2,200,100	12,170,200	1,237,130	1,201,030,077
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	607,706	13,223,450	83,715	46,939	13,961,810
Total financial liabilities	5,960,934	1,258,213,316	12,170,797	198,862	1,276,543,909
Net foreign currency exposure	152,536	(15,923,527)	5,483	1,058,276	(14,707,232)
Off-balance sheet items	-	188,791,842	_		188,791,842
Overall foreign currency					· · · · · · · · · · · · · · · · · · ·
exposure	152,536	(204,715,369)	5,483	1,058,276	(203,499,074)
At December 31, 2022	EURO	USD	GBP	Others	Total
	UShs '000	UShs '000	UShs '000	UShs'000	UShs '000
Financial assets					
Cash and balances with Bank of	600 007	47.005.000	007.540	00.000	40 704 050
Uganda Due from group companies	682,087 2,519,908	17,305,088 2,268,606	637,549 1,066,498	80,229	18,704,953
Placements due from other banks	3,216,199	259,568,119	10,078,868	437,978	6,292,990 272,863,186
Loans and advances to customers	-	761,364,384	10,010,000	_	761,364,384
Other assets	_	-	_	_	-
Total financial assets	6,418,194	1,040,506,197	11,782,915	518,207	1,059,225,513
Financial liabilities					
Borrowed funds	-	-	-	-	-
Customer deposits	6,070,355	1,040,465,305	11,688,133	45,486	1,058,269,279
Other liabilities		9,339,981	-	3,866	9,343,847
Total financial liabilities	6,070,355	1,049,805,286	11,688,133	49,352	1,067,613,126
Net foreign currency exposure	347,839	(9,299,089)	94,782	468,855	(8,387,613)
Off-balance sheet items	6,111,823	307,925,984	67,170	8,853	314,113,830
Overall foreign currency					
exposure	(5,763,984)	(317,225,073)	27,612	460,002	(322,501,443)

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 3 Financial risk management (continued)

## (d) Market risk (continued)

#### Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different 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 Group's business strategies.

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

			3-12				
At December 31, 2023	=1 month</th <th>1 - 3 months</th> <th>months</th> <th>1-5 years</th> <th>&gt;5years</th> <th>No exposure</th> <th>Total</th>	1 - 3 months	months	1-5 years	>5years	No exposure	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	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	-	-	I-	-	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	46,032,470	55,949,995
Total financial liabilities	98,938,716	270,361,861	1,607,343,597	68,030,398	4,507,522	46,032,470	2,095,214,564
Interest sensitivity gap	340,896,122	(11,829,454)	1,042,998,519)	513,970,650	531,279,945		

Bank of Baroda (Uganda) Limited
Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

# Financial risk management (continued)

# Market risk (continued)

			3-12				
At December 31, 2022	=1 month</td <td>1 - 3 months</td> <td>months</td> <td>1-5 years</td> <td>&gt;5years</td> <td>No exposure</td> <td>Total</td>	1 - 3 months	months	1-5 years	>5years	No exposure	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Financial assets							
Cash and balances with Bank of Uganda	-	-	-	-		228,514,586	228,514,586
Investment in government securities	22,906,009	39,066,808	307,458,522	172,426,753	60,922,829	185,211,786	787,992,707
Due from group companies	6,292,990	-	_	-	· · ·	-	6,292,990
Placements with other banks	151,580,528	104,931,197	25,919,921	-	437,978	-	282,869,624
Loans and advances to customers	65,657,937	107,905,249	164,516,636	352,620,916	398,350,236	-	1,089,050,974
Other assets	_		-	-		5,235,400	5,235,400
Total financial assets	246,437,464	251,903,254	497,895,079	525,047,669	459,711,043	418,961,772	2,399,956,281
Financial liabilities							
Borrowed funds	8,725,514	-	-	-	_	-	8,725,514
Customer deposits	50,963,478	231,795,803	1,455,867,846	38.669.953	-	_	1,777,297,080
Other liabilities	-		1,150,717	4,594,222	5,174,085	27,419,832	38,338,856
Total financial liabilities	59,688,992	231,795,803	1,457,018,563	43,264,175	5,174,085	27,419,832	1,824,361,450
Interest sensitivity gap	186,748,472	20,107,451	(959,123,484)	481,783,494	454,536,958		

The amounts with no interest risk exposure include non-interest bearing financial instruments and those which bear fixed interest rates and are measured at amortised cost.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 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 Group 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, 2023 if interest rates had been 2 basis points lower/higher with all other variables held constant, profit before tax and profit after tax and equity would have been UShs 6.6 billion and 4.6 billion (2022: UShs 3.7 billion and 2.6 billion), respectively, lower/higher, arising mainly as a result of change in interest income and expense.

#### (e) Risk measurement and control

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

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

## (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, 2023				
	Level 1 Ushs'000	Level 2 Ushs'000	Level 3 Ushs'000	Total Ushs'000
Government securities at FVTOCI (Note 13)		713,315,127	-	713,315,127
At December 31, 2022 Government securities at FVTOCI (Note 13)	-	602,780,921	_	602,780,921

The Group 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 Group'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.

Bank of Baroda (Uganda) Limited
Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

# Financial risk management (continued)

# Maturity analysis

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

		2023			2022	
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash and balances with Bank of Uganda	215,775,055	-	215,775,055	228,514,586	-	228,514,586
Investment in government securities	430,019,333	444,086,144	874,105,477	369,431,339	418,561,368	787,992,707
Due from group companies	2,626,525	<u></u>	2,626,525	6,292,990	-	6,292,990
Deposit due from other banks	424,676,491	-	424,676,491	282,431,646	437,978	282,869,624
Loans and advances to customers	405,389,974	834,492,721	1,239,882,695	338,079,822	750,971,152	1,089,050,974
Other assets	6,539,911	-	6,539,911	5,235,400	· · ·	5,235,400
Current income tax recoverable	1,766,456	2	1,766,456	364,885	_	364,885
Intangible assets	-	39,489	39,489	-	76,955	76,955
Property, equipment and right-of-use assets	-	36,438,472	36,438,472	_	27,053,210	27,053,210
Deferred tax asset	-	2,937,775	2,937,775	-	7,681,070	7,681,070
Disposal group assets	40,000		40,000	716,765	_	716,765
	1,486,833,745	1,317,994,601	2,804,828,346	1,231,067,433	1,204,781,733	2,435,849,166
Liabilities		-				
Customer deposits	1,961,159,874	63,782,105	2,024,941,979	1,125,931,213	651,365,866	1,777,297,079
Borrowed funds	14,322,590	-	14,322,590	8,725,514	, , -	8,725,514
Other liabilities	47,956,948	8,755,815	56,712,763	29,462,618	9,768,307	39,230,925
Disposal group liabilities		· · · · · · · · · · · · · · · · · · ·		276,674	-	276,674
	2,023,439,412	72,537,920	2,095,977,332	1,164,396,019	661,134,173	1,825,530,192

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 4. Operating segments

The major part of business of the Group, which is all within Uganda, falls under the category of banking, with other income comprising less than 2% of the total income of the Group. As such, the Group 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

	Group		Bank	
	UShs '000	UShs '000	UShs '000	UShs '000
Interest on loans and advances	135,911,082	114,415,065	135,911,082	114,415,065
Interest earned on treasury bonds	72,748,527	77,987,357	72,748,527	77,987,357
Interest earned on treasury bills	36,864,945	26,195,841	36,864,945	26,195,841
Interest on deposits and placements	17,517,790	9,068,218	17,517,790	9,068,218
	263,042,344	227,666,481	263,042,344	227,666,481

# 6. Interest and similar expenses

Time deposits

7.

FVTOCI Other income

### a) Interest expense calculated using the effective interest method

Time deposits	00,043,200	31,733,340	00,049,200	31,190,040
Savings accounts	3,268,943	3,114,440	3,268,943	3,114,440
Repurchase agreement and borrowed funds	400,413	400,656	400,413	400,656
Current and demand deposits	858,163	994,263	858,163	994,263
	85,176,799	56,304,699	85,176,799	56,304,699
b) Other interest and similar expense				
Lease liabilities (Note 32)	403,346	442,020	403,346	442,020
Total interest expenses	85,580,145	56,746,719	85,580,145	56,746,719
Non-interest income				
Fees and commission income	10,417,615	18,259,970	10,417,615	18,259,970
Recoveries from loans and advances previously written-off	14,666,703	8,451,167	14,666,703	8,451,167
Realised foreign exchange gains	4,707,296	6,132,300	4,707,296	6,132,300
Unrealised foreign exchange losses	(911,339)	(1,413,241)	(911,339)	(1,413,241)
Loss on sale of financial investments	(1,195,463)	(1,415,526)	(1,195,463)	(1,415,526)
			. ,	

80 649 280

4,247,846

27,104

27,751

31,987,513

51 795 340

3,967,595

117,488

(28,076)

34,071,677

80 649 280

4,247,846

31,987,513

27,104

27,751

51 705 340

3,967,595

117,488

(28,076)

34,071,677

Fees and commission further disaggregated as below:

Recycling of gains on disposal of investments at

Gain/(loss) on sale of equipment

Fees and commissions income				
Domestic commissions	5,430,742	13,656,186	5,430,742	13,656,186
Foreign commissions	1,291,192	1,192,003	1,291,192	1,192,003
Total fee and commission from contracts with customers	6,721,934	14,848,189	6,721,934	14,848,189
Financial guarantee contracts and loan commitments	3,695,681	3,411,781	3,695,681	3,411,781
Total fees and commission income	10,417,615	18,259,970	10,417,615	18,259,970

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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 8. Operating expenses

	Group		Bank	
	UShs '000	UShs '000	UShs '000	UShs '000
Employee costs (Note 9)	20,531,790	18,831,207	20,531,790	18,831,207
Insurance	3,649,326	3,660,447	3,649,326	3,660,447
Depreciation and amortisation	2,902,487	2,806,402	2,902,487	2,806,402
Administration and service level agreement fees	1,333,608	2,299,021	1,333,608	2,299,021
Repairs and maintenance	2,475,420	2,099,896	2,475,420	2,099,896
Fee and commission expenses	1,369,418	1,317,784	1,369,418	1,317,784
Other expenses	1,877,002	1,119,282	1,877,002	1,119,282
Indirect tax expenses	3,591,556	-	3,591,556	-
Rent, rates and utilities	2,397,878	896,990	2,397,878	896,990
Advertising	1,234,889	880,447	1,234,889	880,447
Software expenses	1,369,419	657,704	1,369,419	657,704
Printing and stationery	1,305,850	534,525	1,305,850	534,525
Security	596,626	639,233	596,626	639,233
Audit costs	529,203	287,903	529,203	287,903
Consulting and professional fees	656,885	275,706	656,885	275,706
Travelling	284,069	224,715	284,069	224,715
Telephone and fax	101,492	170,326	101,492	170,326
Entertainment	105,815	117,727	105,815	117,727
Subscriptions	100,294	72,528	100,294	72,528
Directors' emoluments	77,367	63,062	77,367	63,062
Donations	90,695	46,799	90,695	46,799
Bad debts written off	-	7,984	-	7,984
,	46,581,089	37,009,688	46,581,089	37,009,688

The following are included in other expenses: legal expenses of UShs 709 million (2022: UShs 47 million), staff team building expenses of UShs 35 million (2022: UShs 6.3 million), operations losses of UShs 52 million (2022: UShs 75.7 million) and Annual General Meeting expenses of UShs 22 million (2022: UShs 13.3 million)

Audit costs include remuneration for the external audit services of UShs 356 million (2022: UShs 183 million).

## 9. Employee costs

	Grou	ıp	Bank	
	UShs '000	UShs '000	UShs '000	UShs '000
Salaries and wages	16,842,298	16,319,443	16,842,298	16,319,443
National Social Security Fund – employer contributions	1,052,895	1,041,762	1,052,895	1,041,762
Contribution to provident fund for expatriates	371,606	348,548	371,606	348,548
Other employment allowances	2,264,991	1,121,454	2,264,991	1,121,454
	20,531,790	18,831,207	20,531,790	18,831,207

Bank of Baroda (Uganda) Limited

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

# 10. Taxation

# a) Income tax charge to profit or loss

		Gro	up	Company		
		UShs '000	UShs '000	UShs '000	UShs '000	
Current tax charge		45.000.540	00 000 070	15.000.540	00 000 070	
Local income tax - current period		15,633,542	23,392,278	15,633,542	23,392,278	
Income tax assessment relating to prior years		4,836,100	-	4,836,100	-	
Prior year under provision - current tax Withholding tax (WHT) on interest income		208,235	-	208,235	-	
from government securities		<u>17,856,112</u> <u>38,533,989</u>	<u>14,147,849</u> <b>37,540,127</b>	<u>17,856,112</u> <u>38,533,989</u>	<u>14,147,849</u> <b>37,540,12</b> 7	
Deferred tax		50,555,565	57,540,127	20,333,868	31,340,121	
Deferred tax credit	21	(1,152,000)	(2,808,404)	(1,152,000)	(2,808,404)	
Total income tax charge		37,381,989	34,731,723	37,381,989	34,731,723	
b) Tax reconciliation						
Profit before tax for the year		153,315,598	156,916,737	153,748,152	156,916,737	
Income tax expense calculated at 30% (2022: 30%) Final tax (WHT) on interest income on		45,994,680	47,075,021	46,124,446	47,075,021	
government securities		17,856,112	14,147,849	17,856,112	14,147,849	
Income subject to WHT as final tax Prior year under provision - current tax		(35,459,528) 208,235	(28,680,949)	(35,589,294) 208,235	(28,680,949)	
Income tax assessment relating to prior years		4,836,100	-	4,836,100	-	
Non-deductible expenses		3,946,390	2,189,802	3,946,390	2,189,802	
Net income tax charge to profit or loss		<u>37,381,989</u>	<u>34,731,723</u>	<u>37,381,989</u>	<u>34,731,723</u>	
c) Current income tax recoverable						
		2023 Ushs 000	2022 Ushs 000	2023 Ushs 000	2022 Ushs 000	
Opening balance		(364,885)	(2,946,614)	(364,885)	(2,946,614)	
Current income tax charge	10(a)	38,533,989	37,540,127	38,533,989	37,540,127	
Income tax paid	18	(39,935,560)	(34,958,398)	(39,935,560)	(34,958,398)	
Closing balance		<u>(1,766,456)</u>	(364,885)	<u> (1,766,456)</u>	<u>(364,885)</u>	

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 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, 2012. Consequently, the subsidiary is under liquidation and its final financial statements are expected to be filed with the Official Receiver and then the liquidation process is expected to be completed in the subsequent year. As such, the subsidiary is not a going concern and the assets and liabilities of the subsidiary have been stated at their recoverable amount, which is the lower of carrying amount and fair value less costs to sell.

The following were the transactions and balances of this discontinued operation.

	Grou	ıp	Bank	
	2023 UShs '000	2022 UShs '000	2023 UShs '000	2022 UShs '000
Dividend income from subsidiary			432,556	-
Profit from discontinued operations	32,465	10,953		
The following the statement of comprehensive income	e for the disposal arc	oup:		
<b>3</b>	a a g		Grou	яр
			2023	2022
			UShs '000	UShs '000
Revenue from contracts with customers			_	11,745
Cost of sales			(25)	(1,110)
Gross profit			(25)	10,635
Other income			100,017	57,787
Other operating expenses			(67,527)	(57,469)
Profit before taxation		_	32,465	10,953
Income tax charge			<u> </u>	-
Profit for the year			32,465	10,953
Other comprehensive income				-
Total comprehensive income for the year			32,465	10,953
Assets and liabilities of the disposal group			40.000	40.000
Investment in subsidiary Total assets of the subsidiary			40,000 40,000	40,000 716,765
Total liabilities of the subsidiary		•	40,000	
Total liabilities of the subsidiary		-		276,674
The following is the statement of financial position for	the disposal group:			
Assets				
Current assets				
Current tax receivable			-	31,142
Cash at bank			40,000	685,623
			40,000	716,765
Total assets		_	40,000	716,765
Equity and liabilities				
Equity				
Share capital			40,000	40,000
Retained earnings			<u>-</u>	400,091
			40,000	440,091
Current labilities				
Other payables			-	21,340
Due to related parties		_	-	255,334 276,674
Total equity and liabilities		_	40,000	716,765
rotal equity and nationals		_	40,000	, 10,705

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

# 11. Discontinued operations or disposal groups (Continued)

### Statement of cash flows

		Grot 2023 UShs '000	up 2022 UShs '000
Operating activities Profit before taxation Adjustments for non-cash items:		32,465	10,953
Impairment reversals		-	(538)
Working capital adjustments: Decrease in other receivables			538
(Decrease)/increase in other payables		(21,341)	5,501
Cash flows (used in)/generated from operating activities	-	(21,341)	5,501
Tax received	_	31 <u>,142</u>	<u> </u>
Net cash flows from operating activities	-	42,265	16,454
Financia na salisiala			
Financing activities Decrease/increase in amounts due to related parties		(255,334)	23,884
Dividends paid		(432,554)	25,004
Net cash used financing activities		(687,888)	23,884
Net decrease/increase in cash and cash equivalents		(645,623)	40,338
Movement in cash and cash equivalents			
At 1 January		685,623	645,285
Net (decrease)/increase in cash and cash equivalents At 31 December	-	(645,623)	40,338
At 31 December	=	40,000	685,623
Statement of changes in equity			
4	Share	Retained	
	capital	earnings	Total
	Ushs '000	Ushs '000	Ushs '000
At January 1, 2022	40,000	389,138	429,138
Other comprehensive income		10,953	10,953
At December 31, 2022	40,000	400,091	440,091
At January 1, 2023	40,000	400.091	440,091
Profit for the year		32,465	32,465
Dividends distributed to parent company	_	(432,556)	(432,556)
At December 31, 2023	40,000		40,000

## 12. Cash and balances with Bank of Uganda

	Gro	oup	Bank		
	2023 UShs '000	2022 UShs '000	2023 UShs '000	2022 UShs '000	
Cash in hand	20,926,173	22,648,609	20,926,173	22,648,609	
Balances with Bank of Uganda	194,848,882	205,865,977	194,848,882	205,865,977	
	215,775,055	228,514,586	215,775,055	228,514,586	

Balances with Bank of Uganda include the minimum cash reserve requirement which are advised fortnightly by the Central Bank based on the deposit balances held for the past two weeks. The amount advised includes cash and balances held with Bank of Uganda and this amount is not available to finance the day-to-day activities of the Bank. However, the excess of the amount advised is available to finance the Bank's activities. As at December 31, 2023, the minimum cash reserve requirement was 9% of total deposits (2022: 10% of total deposits).

The ECL charge on balances with Bank of Uganda was immaterial as at year-end (2022: 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 (2022: UShs 436 million, and this was included together with principal balance advanced).

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 13. Investment in government securities

	Gro	up	Bank		
	2023	2022	2023	2022	
Fair value through other comprehensive income	UShs '000	UShs '000	UShs '000	UShs '000	
Treasury bills	344,221,653	270,699,416	344,221,653	270,699,416	
Treasury bonds	369,093,474	332,081,505	369,093,474	332,081,505	
	713,315,127	602,780,921	713,315,127	602,780,921	
Amortised cost					
Treasury bonds	160,790,350	185,211,786	160,790,350	185,211,786	
	874,105,477	787,992,707	874,105,477	787,992,707	

### Movement in investment in government securities at FVTOCI - Group and Bank

	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 2023	602,780,921	10,636,046	86,506,869	13,391,291	713,315,127
Year ended 31 December 2022	555,968,441	(23,667,117)	57,975,731	12,503,866	602,780,921

The movement in fair valuation gain/(loss) net of tax was as follows:

		Group		Company	
	Note	2023	2022	2023	2022
		UShs '000	UShs '000	UShs '000	UShs '000
Fair value gain/(loss)		10,636,046	(23,667,117)	10,636,046	(23,667,117)
Deferred tax impact	10(d)	(3,190,814)	7,100,135	(3,190,814)	7,100,135
Net fair value gain/(loss)		7,445,232	(16,566,982)	7,445,232	(16,566,982)

The weighted average effective interest rate on treasury bonds as at December 31, 2023 was 14.29% and on treasury bills 11.43% (2022: treasury bonds 14.87% and treasury bills 11.50%). The Group 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 (2022: immaterial).

As at year-end, the Bank had pledged treasury bills of 364 days amounting to UShs 4,777 million (2022: 364 days amounting to UShs 5,580 million) to Bank of Uganda.

## 14. Due from group companies

	Group		Bar	1k
	2023 UShs '000	2022 UShs '000	2023 UShs '000	2022 UShs '000
Bank of Baroda, London - GBP	1,629,133	1,066,498	1,629,133	1,066,498
Bank of Baroda, Nairobi - KSh	164,340	437,978	164,340	437,978
Bank of Baroda, Mumbai - INR	305,242	-	305,242	-
Bank of Baroda, Brussels - Euro	-	2,519,908	•	2,519,908
Bank of Baroda, New York - US Dollar	527,810	2,268,606	527,810	2,268,606
	2,626,525	6,292,990	2,626,525	6,292,990

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

### 15. Placements due from other banks

	Gro	oup	Bank		
	2023	2022	2022 2023		
	UShs '000	UShs '000	UShs '000	UShs '000	
Due from banking institutions in Uganda	105,368,378	77,036,735	105,368,378	77,036,735	
Due from other banks outside Uganda					
Bank of Baroda, Tanzania	19,301,182	18,950,946	19,301,182	18,950,946	
Bank of Baroda, Mumbai	76,714,775	70,642,397	76,714,775	70,642,397	
Bank of Baroda, London	10,176,530	39,946,500	10,176,530	39,946,500	
Bank of Baroda, IFSC	98,444,877	55,862,682	98,444,877	55,862,682	
Bank of Baroda, New York	62,512,837	14,883,307	62,512,837	14,883,307	
Bank of Baroda, Dubai	50,101,600	•	50,101,600	=	
Bank of Baroda, Kenya	-	3,752,777	-	3,752,777	
Standard Chartered Bank	2,056,312	1,794,280	2,056,312	1,794,280	
	319,308,113	205,832,889	319,308,113	205,832,889	
Total placements due from other banks	424,676,491	282,869,624	424,676,491	282,869,624	

## 16. Loans and advances to customers

	Gr	oup	Bank	
	2023	2022	2023	2022
	UShs '000	UShs '000	UShs '000	UShs '000
Overdrafts	576,348,788	546,184,507	576,348,788	546,184,507
Term loans	681,657,657	565,613,749	681,657,657	565,613,749
Total gross loans	1,258,006,445	1,111,798,256	1,258,006,445	1,111,798,256
Impairment allowance	(13,249,038)	(21,976,295)	(13,249,038)	(21,976,295)
Staff loans day 1 mark to market adjustment	(310,767)	-	(310,767)	-
Deferred loan processing fees	(4,523,584)	-	(4,523,584)	-
Interest in suspense	(40,361)	(770,987)	(40,361)	(770,987)
Net carrying amount	1,239,882,695	1,089,050,974	1,239,882,695	1,089,050,974

# Reconciliation of impairment allowance for loans and advances

Opening balance	21,976,295	11,467,358	21,976,295	11,467,358
(Decrease)/increase in impairment allowance	(5,274,354)	10,508,937	(5,274,354)	10,508,937
Write off of loans provided for in prior years	(3,452,903)	-	(3,452,903)	- ·
Closing balance	13,249,038	21,976,295	13,249,038	21,976,295
Charge to profit or loss  ECL (credit)/debit to profit – Loans and advances  Write off of loans not provided for in prior years  ECL (credit)/debit to profit – off balance sheet	(5,274,354) 14,956,609	10,508,937 -	(5,274,354) 14,956,609	10,508,937
items	(129,230)	<b>5</b> 56,07 <b>7</b>	(129, 230)	556,077
	9.553.025	11.065.014	9.553.025	11.065.014

The amounts written off increased significantly because of the cessation of COVID -19 relief by Bank of Uganda as some of the loans for which COVID relief was extended could not come out of stress conditions.

Advances to customers include loans to employees of UShs 6,833 million (2022: UShs 2,751 million).

The weighted average effective interest rate on local currency loans and advances to customers as at December 31, 2023 was 19.78% (2022:17.55%) and 8.14% (2022: 8.23%) for foreign currency loans and advances.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

# 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	Total
	Stage 1 UShs'000	Stage 2 UShs'000	Stage 3 UShs'000	Total UShs'000	Stage 1 UShs'000	UShs'000
December 31, 2023						
At start of the year	9,782,684	2,278,139	9,915,472	21,976,295	891,999	22,868,294
(Credit)/charge for the year	(1,142,148)	2,118,802	(6,251,008)	(5,274,354)	(129,230)	(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	762,769	14,011,807
December 31, 2022						
At start of the year	4,724,450	1,012,289	5,730,619	11,467,358	335,922	11,803,280
Charge for the year	5,058,234	1,265,850	4,184,853	10,508,937	556,077	11,065,014
At the end of year	9,782,684	2,278,139	9,915,472	21,976,295	891,999	22,868,294

The aggregate carrying amount of impaired loans (Stage 3 loans) at December 31, 2023 and the related expected credit losses are indicated above.

## 17. Other assets

			Group			nk
			2023	2022	2023	2022
		Note	UShs '000	UShs '000	UShs '000	UShs '000
	Other receivables		6,057,731	5,235,400	6,057,731	5,235,400
	Deferred staff costs		482,180	-	482,180	
			6,539,911	5,235,400	6,539,911	5,235,400
18.	Tax paid					
	Opening balance	10(c)	364,885	2,946,614	364,885	2,946,614
	Current income tax charge	10(c)	(38,533,989)	(37,540,127)	(38,533,989)	(37,540,127)
	Closing balance	10(c)	(1,766,456)	(364,885)	(1,766,456)	(364,885)
	Tax paid during the year		(39,935,560)	(34,958,398)	(39,935,560)	(34,958,398)

## 19. Intangible assets

Group and Bank		2023			2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value	
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	
Computer software	542,787	(503,298)	39,489	534,387	(457,432)	76,955	

Reconciliation of intangible assets: Group and Bank

Computer software	Opening balance UShs'000	Additions UShs'000	Amortisation UShs'000	Closing balance UShs'000
Year ended 31 December 2023	76,955	8,400	(45,866)	39,489
Year ended 31 December 2022	134,035	-	(57,080)	76,955

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

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

		2023			2022	
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Group						
Freehold land	8,700,000	-	8,700,000	8,700,000	-	8,700,000
Buildings	13,630,000	(312,375)	13,317,625	13,162,671	(9,349,360)	3,813,311
Furniture and fixtures	9,070,471	(5,975,403)	3,095,068	8,434,480	(5,762,316)	2,672,164
Motor vehicles	1,222,201	(917,278)	304,923	1,194,430	(1,090,759)	103,671
IT equipment	6,943,494	(4,715,122)	2,228,372	5,876,379	(4,220,806)	1,655,573
Right-of-use assets	<u>15,076,867</u>	(6,284,383)	8,792,484	15,076,867	(4,968,376)	10,108,491
Total	54,643,033	(18,204,561)	36,438,472	52,444,827	(25,391,617)	27,053,210
D1.				•		
Bank	. =					
Freehold land	8,700,000	-	8,700,000	8,700,000	<u>-</u>	8,700,000
Buildings	13,630,000	(312,375)	13,317,625	13,162,671	(9,349,360)	3,813,311
Furniture and fixtures	9,070,471	(5,975,403)	3,095,068	8,427,977	(5,755,813)	2,672,164
Motor vehicles	1,222,201	(917,278)	304,923	1,194,430	(1,090,759)	103,671
IT equipment	6,943,494	(4,715,122)	2,228,372	5,872,064	(4,216,491)	1,655,573
Right-of-use assets	15,076,867	(6,284,383)	8,792,484	15,076,867	(4,968,376)	10,108,491
Total	54,643,033	(18,204,561)	36,438,472	52,434,009	(25,380,799)	27,053,210

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

Year ended 31 Decembe	Opening balance UShs'000 r 2023	Revaluation surplus UShs'000	Additions UShs'000	Disposals UShs'000	Depreciation UShs'000	Closing balance UShs'000
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
Year ended 31 December	r 2022					
Freehold land	8,700,000	_	-		_	8,700,000
Buildings	4,165,440	-	95.263	_	(447,392)	3.813.311
Furniture and fixtures	2,615,538	-	442,466	(52,618)	(333,222)	2,672,164
Motor vehicles	131,116	-	-	, É	(27,445)	103,671
IT equipment	1,971,599	-	264,809	=	(580,835)	1,655,573
Right-of-use assets	11,468,921			-	(1,360,430)	10,108,491
	29,052,614		802,538	(52,618)	(2,749,324)	27,053,210

Revaluation surplus net of tax:

	Note	2023	2022
		UShs'000	UShs'000
Revaluation surplus		9,920,360	-
Deferred tax impact	10(d)	(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 Group 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.

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

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

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

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	21,862,671
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% (2022: 30%). The movement in the deferred tax asset is as follows:

	N-4-	Group 2023	2022	Bank 2023	2022
At the beginning of year	Note	<b>UShs '000</b> (7,681,070)	UShs '000 2,072,389	<b>UShs '000</b> (7,681,070)	<b>UShs '000</b> 2,072,389
(Credit)/charge to profit or loss		(1,001,070)	2,072,309	(7,001,070)	2,072,369
Leases		(94,352)	(218,740)	(94,352)	(218,740)
Property and equipment		70,858	(3,675)	70,858	(3,675)
Fair value through profit or loss		(2,646,959)	-	(2,646,959)	(0,0,0)
Impairment allowance		1,577,368	(2,305,877)	1,577,368	(2,305,877)
Unrealized foreign exchange differences		(58,915)	(280,112)	(58,915)	(280,112)
Net credit to profit or loss		(1,152,000)	(2,808,404)	(1,152,000)	(2,808,404)
Charge/(credit) to OCI					
Fair value through other comprehensive	13				
income		3,190,814	(7,100,135)	3,190,814	(7,100,135)
Revaluation reserve	20	2,976,108		2,976,108	
Net charge/(credit) to OCI		6,166,922	(7,100,135)	6,166,922	(7,100,135)
(Credit)/charge to equity					
Net deferred tax credit on transfer of					
excess depreciation		(271,627)	(168,444)	(271,627)	(168,444)
Prior period adjustments Net deferred tax asset			323,524	-	323,524
Net deletted tax asset		(2,937,775)	(7,681,070)	(2,937,775)	(7,681,070)

## 22. Share capital

Number of shares		Value		
	2023	2022	2023	2022
			UShs '000	UShs '000

# Authorised, issued and fully paid – Group and Bank

Par value of each share is UShs 10 (2022: UShs 10)

Closing balance	15,000,000,000	2.500.000.000	125,000,000 150,000,000	25 000 000
Opening balance Bonus share issue	15,000,000,000 12,500,000,000	2,500,000,000	150,000,000	25,000,000

	Per snare		Amount	
	2023	2022	2023	2022
	UShs	UShs	UShs '000	UShs '000
Dividend proposed and paid				
Dividend proposed	2.0	10.0	30,000,000	25,000,000
Dividend paid	1.7	20.0	30,000,000	50,000,000

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate 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:

	2023	2022
	UShs'000	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

		Group		Ва	nk
		2023 UShs '000	2022 UShs '000	2023 UShs '000	2022 UShs '000
	Specific provision	130,677	3,729,274	130,677	3,729,274
	General provision	12,578,354	11,072,980	12,578,354	11,072,980
	Total regulatory provisions Expected credit losses per IFRS 9	1 <b>2,709,031</b> 13,249,038	<b>14,802,254</b> 21,976,295	1 <b>2,709,031</b> 13,249,038	<b>14,802,254</b> 21,976,295
	Regulatory credit risk reserve	Not appli	cable (N/A)	Not applic	
24.	Customer deposits			·	
	Current and demand accounts Savings accounts Time deposits	334,881,571 313,542,088 1,376,518,320 2,024,941,979	312,798,253 299,897,659 1,164,601,167 1,777,297,079	334,881,571 313,542,088 1,376,518,320 2,024,941,979	312,798,254 299,897,659 1,164,601,167 1,777,297,080
25.	Borrowed funds		.,,	_,	1,777,207,000
	Deposits due to other banks within 90 days	1,651,899	-	1,651,899	=)
	Bank of Uganda: Agricultural Credit Facility	12,670,691	8,725,514	12,670,691	8,725,514
		14,322,590	8,725,514	14,322,590	8,725,514

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 favorable 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.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

#### 26. Other liabilities 2022 2023 2022 2023 **UShs** '000 **UShs** '000 **UShs** '000 **UShs** '000 Note 919,628 1,042,736 919,628 1,042,736 Dividends payable Bills payable 142,659 212,685 142,659 212,685 107,580 199,530 107,580 Uncleared effects 199,530 ECL allowance on off-balance sheet items 762,769 892,069 892,069 16 762,769

Lease liabilities 32 9,917,525 10,919,024 9,917,525 10,919,024 Other payables 44,647,544 26,176,073 44,647,545 26,176,073 29 Due to group companies 3,866 3,866 39,230,925 56,712,763 56,712,764 39,230,925

Analysed as follows: Non-financial liabilities ECL allowance on off-balance sheet items 762.769 892.069 Financial liabilities 55.949.994 38,338,856 55,949,995

Other payables include URA deposits amounting to UShs 33 billion (2022: UShs 16 billion).

## 27. Cash and cash equivalents

-		Gro	oup	Ba	ink
		2023	2022	2023	2022
		UShs '000	UShs '000	UShs '000	UShs '000
	Note				
Cash and balances with Bank of Uganda	12	215,775,055	228,514,586	215,775,055	228,514,586
Cash reserve requirement		(178,930,000)	(170,960,000)	(178,930,000)	(170,960,000)
Government securities maturing in 90 days		84,094,664	284,126,553	84,094,664	284,126,553
Due from group companies	14	2,626,525	6,292,990	2,626,525	6,292,990
Placements due from other banks (Note 15)	15	424,676,491	282,869,623	424,676,491	282,869,623
		548,242,735	630,843,752	548,242,735	630,843,752

## 28. Off-balance sheet contingencies and commitments

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

### 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 Group may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

	2023 UShs '000	2022 UShs '000	2023 UShs '000	2022 UShs '000
Contingencies				
Acceptances and letters of credit	47,182,300	68,188,148	47,182,300	68,188,148
Guarantees	43,817,606	47,573,246	43,817,606	47,573,246
Performance bonds	16,700,478	23,882,683	16,700,478	23,882,683
Contingents secured by cash collateral	39,975,427	32,556,563	39,975,427	32,556,563
	147,675,811	172,200,640	147,675,811	172,200,640

## Commitments

Undrawn formal stand-by facilities, credit lines and other commitments to lend

315,965,270	322,331,730	315,965,270	322,331,730
463,641,081	494,532,370	463,641,081	494,532,370

762,769

892.069

38,338,856

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

Bank of Baroda (Uganda) Limited
Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

# 29. Related parties Relationships

Holding company Subsidiary Affiliates	Bank of Baroda, India Baroda Capital Markets (Uganda) Limited Bank of Baroda, India Bank of Baroda, London Bank of Baroda, Kenya Bank of Baroda, Brussels Bank of Baroda, New York Bank of Baroda Tanzania Limited Bank of Baroda IFSC
Directors/key management personnel	Vastina Rukimirana Nsanze Raj Kumar Meena (up to March 15, 2023) Shashi Dhar (from March 16, 2023) Prithvi Singh Bhati Lalit Tyagi (from February 5, 2024) Sempijja Thadeus Fred Kakongoro Muhumuza Odoch Charles Langoya Debadatta Chand

	Group		Bank	
	2023	2022	2023	2022
	UShs '000	UShs '000	UShs '000	UShs '000
Dalated much transpositions				
Related party transactions				
Interest paid to related parties	00.554			
Baroda Capital Markets (Uganda) Limited	32,554	-	32,554	-
Administration fees paid to related parties	2.750.252	2 200 024	0.750.050	0.000.004
Bank of Baroda, India	3,756,353	2,299,021	3,756,353	2,299,021
Key management compensation Non-Executive Directors	77 207	00.000	77.007	00.000
Executive Directors	77,367	63,062	77,367	63,062
Software expenses	580,488	490,063	580,488	490,063
Bank of Baroda, India	040.000	004 746	040.000	004 740
Batik Of Baroda, Iriqia	949,080	221,746	949,080	221,746
Related party balances				
Due from group companies				
Bank of Baroda, India (BBB-)	305,242	_	305,242	-
Bank of Baroda, London (BBB-)	1,629,133	1,066,498	1,629,133	1,066,498
Bank of Baroda (Kenya) Limited, Kenya (Unrated)	164,340	437,978	164,340	437,978
Bank of Baroda, Brussels (BBB-)	-	2,519,908		2,519,908
Bank of Baroda, New York (BBB-)	527,810	2,268,606	527,810	2,268,606
	2,626,525	6,292,990	2,626,525	6,292,990
Placements due from group companies				
Bank of Baroda, India (BBB-)	76,714,774	70,642,397	76,714,774	70,642,397
Bank of Baroda, London (BBB-)	10,176,530	39,946,500	10,176,530	39,946,500
Bank of Baroda (Tanzania) Limited (Unrated)	19,301,182	18,950,946	19,301,182	18,950,946
Bank of Baroda, IFSC (BBB-)	98,444,877	55,862,682	98,444,877	55,862,682
Bank of Baroda, New York (BBB-)	62,512,837	14,883,307	62,512,837	14,883,307
Bank of Baroda (Kenya) Limited (Unrated)	-	3,752,777	-	3,752,777
Bank of Baroda, Dubai (BBB-)	50,101,600	-	50,101,600	
	317,251,800	204,038,609	317,251,800	204,038,609
Due to group companies				
Bank of Baroda, India (BBB-)		3,866		3,866
Due to subsidiary				
Baroda Capital Markets (Uganda) Limited			40,000	400,000

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# Notes to the Consolidated and Separate 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.

	Group		Bank	
	2023	2022	2023	2022
Profit attributable to equity holders – continuing operations (UShs'000) Profit attributable to equity holders - continuing and	115,933,609	122,185,014	116,366,165	122,185,014
discontinued operations (UShs'000)	115,966,074	122,195,966	116,366,165	122,185,014
Weighted average number of ordinary shares as at Dec 31, 2023	15,000,000	2,500,000	15,000,000	2,500,000
Basic and diluted earnings per share (UShs) -continuing operations	7.729	48.874	7.758	48.874
Basic and diluted earnings per share (UShs) -continuing and discontinued				
operations	7.731	48.878	7.758	48.874

There were no potentially dilutive shares as at December 31, 2023 or on December 31, 2022. 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 (2022: None).

#### 32. Lease liabilities

The Group leases space for branches and other premises to meet its business operational needs. Currently, the Group 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.

	Group		Bank	
	2023	2022	2023	2022
Minimum lease payments due				
- within one year	1,532,151	1,553,752	1,532,151	1,553,752
- in second to fifth year inclusive	5,382,804	5,853,560	5,382,804	5.853.560
- later than five years	5,344,627	6,243,449	5,344,627	6,243,449
	12,259,582	13,650,761	12,259,582	13,650,761
Less: Future finance charges	(2,342,057)	(2,731,737)	(2,342,057)	(2,731,737)
Present value of minimum lease payments	9,917,525	10,919,024	9,917,525	10,919,024
Present value of minimum lease payments due				
- within one year	1,161,710	1,150,717	1,161,710	1,150,717
<ul> <li>in second to fifth year inclusive</li> </ul>	4,250,533	4,594,222	4,250,533	4,594,222
- later than five years	4,505,282	5,174,085	4,505,282	5,174,085
	9,917,525	10,919,024	9,917,525	10,919,024
Movement in lease liabilities				
Opening balance	10,919,024	11,550,319	10,919,024	11,550,319
Interest expense	403,346	442,020	403,346	442,020
Lease payments during the year	(1,555,765)	(1,552,850)	(1,555,765)	(1,552,850)
Foreign exchange differences	150,920	479,535	150,920	479,535
Closing balance	9,917,525	10,919,024	9,917,525	10,919,024
Lanca milatest s				
Lease related expenses				
Interest expense	403,346	442,020	403,346	442,020
Depreciation of the right-of-use asset	1,316,007	1,360,430	1,316,007	1,360,430
	1,719,353	1,802,450	1,719,353	1,802,450

The average discount rate applied to lease liabilities was 2.58% and 14.31% per annum for USD and UShs denominated lease payments, respectively.

Annual report and audited consolidated and separate financial statements for the year ended December 31, 2023

# Notes to the Consolidated and Separate Financial Statements (Continued)

## 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.

# 34. Comparative figures

Comparative balances are reclassified/regrouped where necessary for comparability with the current period presentation.