Bank of India (Uganda) Limited

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

Index

Corporate Information

Nature of business and principal activities	Commercial banking activities	
Directors	Mr. Wenceslaus Rama Makuza	Chairperson
	Ms. Nayenga Rosetti Nabbumba	Non-Executive Director
	Ms. Monica Mubezi Katiko	Non-Executive Director
	Mr. Nitin Govindrao Deshpande	Non-Executive Director
	Mr. Rajesh Kumar Ram	Non-Executive Director
	Mr. Sanjay Kumar Khemka (from March 4, 2023)	Managing Director
	Mr. Vikash Krishna (up to March 3, 2023)	Managing Director
	Mr. Sameer Rajan Behera (from January 5, 2023)	Executive Director
	Mr. Ranjan Kumar (up to January 4, 2023)	Executive Director
Board Credit Committee	Ms. Nayenga Rosetti Nabbumba	Chairperson
	Mr. Vikash Krishna (up to March 3, 2023)	Managing Director
	Mr. Sanjay Kumar Khemka (from March 4, 2023)	Managing Director
	Mr. Sameer Ranjan Behera (from January 5, 2023)	Executive Director
	Ranjan Kumar (up to January 4, 2023)	Executive Director
Board Audit Committee	Ms. Monica Mubezi Katiko	Chairperson
	Ms. Nayenga Rosetti Nabbumba	Non-Executive Director
	Mr. Rajesh Kumar Ram	Non-Executive Director
Board Risk Management Committee	Ms. Nayenga Rosetti Nabbumba	Chairperson
	Ms. Monica Mubezi Katiko	Non-Executive Director
	Mr. Nitin Govindrao Deshpande	Non-Executive Director
	Mr. Vikash Krishna (up to March 3, 2023)	Managing Director
	Mr. Sanjay Kumar Khemka (from March 4, 2023)	Managing Director
Board Asset and Liabilities Committee	Ms. Nayenga Rosetti Nabbumba	Chairperson
	Mr. Nitin Govindrao Deshpande	Non-Executive Director
	Mr. Vikash Krishna (up to March 3, 2023)	Managing Director
	Mr. Sanjay Kumar Khemka (from March 4, 2023)	Managing Director
Board Compensation Committee	Ms. Nayenga Rosetti Nabbumba	Chairman
	Ms. Monica Mubezi Katiko	Non-Executive Director
	Mr. Rajesh Kumar Ram	Non-Executive Director
Registered Office	Plot 37, Jinja Road PO Box 7332 Kampala, Uganda	
Company Secretary	Wagabaza & Co. Advocates PO Box 25590 Kampala, Uganda	
Independent Auditor	Grant Thornton Certified Public Accountants PO Box 7158 Kampala, Uganda	
Principal Legal Advisors	Verma Jivram & Associates PO Box 7595 Kampala, Uganda	
	Ssebugwawo & Co. Advocates PO Box 787 Kampala, Uganda	
	Kiiza & Kwanza Co. Advocates 4th Floor, Social Security Building Kampala, Uganda	

Corporate Information

Principal Correspondent Banks	Bank of India 277 Park Avenue, NY 10172 New york, United States of America
	Bank of India Branch 3 Rue Scribe 75009 Paris, France
	Bank of India, London 63 Queen Victoria Street, EC4N 4UA London, United Kingdom
	Bank of India, Mumbai overseas branch 70-80, M G Road, Fort Mumbai 400 001
	Bank of India, Kenyatta Avenue PO Box 30246, 00100 Nairobi, Kenya
Parent Bank	Bank of India Star House, C-5 "G" Block, Bandra (East) Mumbai 400 051 Incorporated in India
Principal Valuers	Survesis PO Box 34738 Kampala, Uganda
	Associated Consulting Surveyors PO Box 343558 Kampala, Uganda
	Futures Properties Consultants PO Box 33111 Kampala, Uganda
	Ideal Surveyors PO Box 27246 Kampala, Uganda
	Peak Partners Plot 5, Luwum Street Kampala, Uganda
Tax identification number	1000997113
Branches	Jinja Road Plot 37, Jinja road PO Box 7332 Kampala, Uganda
	Bombo Road Kampala, Uganda

Corporate Governance Statement

Corporate governance is the process by which banks are directed and controlled with the objective of increasing shareholders value and satisfying shareholders. This is achieved by establishing a system of clearly defined authorities and responsibilities which result in the system of internal controls that is regularly tested to ensure effectiveness.

The Bank is committed to the principles of corporate governance and conducts its business in accordance with generally accepted best practices. The Bank has intensified focus on regulations, compliance, standardisation and professionalism to lay strong foundation for effective corporate governance. Therefore, the Directors confirm that:

- The meetings of Board of Directors are held at least once in a quarter.
- The affairs of the Bank are regularly being monitored by the Committees of the Board by holding meetings at least once in a quarter.
- The positions of Chairman and Managing Director are held by different persons.
- The Board with their knowledge and vast professional experience are supplementing the performance of the Bank by executive management.

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

The Bank's governance framework enables the Bank's Boards 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.

Board of Directors

Board charter and work plan

The composition of the Board is set out on page 2. The Board comprises of four non-executive directors, two executive directors and is chaired by a non-executive Chairperson. All non-executive directors are independent of management. The Board has varied and extensive skills in the areas of banking, business management, accountancy and information communication and technology. The directors' responsibilities are set out in the statement of directors responsibilities on page 12. The Directors are responsible for the development of internal financial controls which provide safeguards against material misstatements and fraud and also for the fair presentation of the financial statements.

The Chairperson provides the overall leadership to the Board without limiting the principle of collective responsibility for Board decisions. The Chairperson acts as the link between the Board and the Managing Director and plays a lead role in consensus building between the Board members, the Managing Director and Senior Management. The Chairperson has the casting vote on all decisions of the Board. The Board has delegated the authority for day to day management to the Managing Director. It however retains the overall responsibility for financial and operating decisions and monitoring performance of Senior Management.

The key function of the Board is the identification of current and future risks including operational risk, liquidity risk, regulatory risks, legal risk, reputational risk, market risk and credit risk and to ensure that the necessary systems and controls are in place to enable such risks to be measured, controlled and effectively monitored. The Board has established a management structure, which clearly defines roles, responsibilities and reporting lines. Directors are required to disclose all areas of conflict of interest to the Board and are excluded from voting on such areas of conflict. The Board has access to the company secretary and legal counsel.

Committees of the board

The Board has appointed various sub-committees to which it has delegated certain responsibilities with the chairman of the sub-committees reporting to the Board. The specific matters for which delegated authority has been given are set out in each Board Committee's terms of reference, which are reviewed annually.

The Board had delegated authority to five principal Board Committees:

- Board Audit Committee
- Board Credit Committee
- Board Risk Management Committee
- Board Assets and Liabilities Committee

Corporate Governance Statement

- Board Compensation Committee

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

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

Board meetings

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

During the year under review, the Board meetings were held on the following dates:

- March 21, 2022
- June 21, 2022
- September 20, 2022
- December 21, 2022

Internal controls and risk management

Internal control

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

Internal control framework

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

Director's remuneration

The remuneration to all directors is based on the responsibilities allocated to the directors, and is subject to regular review to ensure that it adequately compensates them for the time spent on the affairs of the bank. The remuneration paid to the directors and key management staff is disclosed in Note 25 to the financial statements.

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.

Corporate social responsibility

Bank of India (Uganda) Limited is committed to the community in which it operates. During the year ended December 31, 2022, the Bank contributed funds towards good causes.

Relations with the shareholder

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

Corporate Governance Statement

Acknowledgements

The Board expresses its gratitude towards Bank of Uganda and various Departments of Government of Uganda for the valuable guidance and support received from them. The Board also acknowledges the support of customers, other financial institutions, correspondent banks and thank them for their cooperation. The Board wishes to place on record its appreciation for all the staff members of the Bank for their dedicated service and contribution towards the satisfactory performance of the Bank. Lastly, we thank the management and staff of the Bank of India, our parent bank for their continued support and guidance for smooth functioning of the Bank.

Wenceslaus Rama Makuza
Chairman

Sanjay Kumar Khemka
Managing Director

Sameer Ranjan Behera
Executive Director

April 25, **2023**
Kampala, Uganda

Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of Bank of India (Uganda) Limited ("the Bank") for the year ended December 31, 2022, which disclose the state of affairs of the Bank.

Incorporation and commencement of business

The Bank was incorporated on Novemeber 9, 2010. It was granted a banking license by Bank of Uganda on March 13, 2012 and commenced operations on June 18, 2012. Bank of India (Uganda) Limited is a wholly owned subsidiary of Bank of India, a renowned International Bank spread across the globe and has more than 5,000 branches in India.

1. Nature of business

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

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

2. Business review

During the year 2022, the total interest income of the Bank increased from UShs 30,197 million to UShs 31,370 million. The increase was mainly attributed to the increase in the interest income from investments made in government securities. The profit before tax increased from UShs 10,398 million to UShs 13,279 million reflecting the effects of cost control expenditure.

Key performance indicators	**2022**	**2021**
	UShs '000	**UShs '000**
Interest income	31,369,764	30,197,342
Net interest income	20,180,693	18,438,354
Profit for the year	10,041,194	9,940,607
Net assets/ total equity	64,758,194	54,717,000
Return on capital employed (%)	21%	19%

Results

The results of the Bank for the year ended December 31, 2022 are set out in the statement of profit or loss and other comprehensive income on page 16 and the appropriations there from in the statement of changes in equity on page 18.

3. Share capital

	2022	**2021**
Authorised	**Number of shares**	
Ordinary shares	2,700,000	2,700,000

	2022	**2021**	**2022**	**2021**
Issued	**UShs '000**	**UShs '000**	**Number of shares**	
Ordinary shares	27,000,000	27,000,000	2,700,000	2,700,000

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

4. Dividends

No dividends were declared or paid to the shareholders during the year.

5. Principal risks and uncertainties

The overall business environment continues to remain challenging and but this has not had a material resultant effect on overall demand for the bank's services. The Bank's strategic focus is to enhance revenue growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions and other factors such as the impact of the coronavirus outbreak. The directors continue to monitor this situation closely with a view to assessing and mitigating its impact on the Bank.

6. Directorate

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

Directors	Nationality	Changes
Mr. Wenceslaus Rama Makuza	Ugandan	
Ms. Nayenga Rosetti Nabbumba	Ugandan	
Ms. Monica Mubezi Katiko	Ugandan	
Mr. Vikash Krishna	Indian	Resigned on March 3, 2023
Mr. Ranjan Kumar	Indian	Resigned on January 4, 2023, 2023
Mr. Sanjay Kumar Khemka	Indian	Appointed on March 4, 2023
Mr. Sameer Ranjan Behera	Indian	Appointed on January 5, 2023

7. Directors' benefits

During the period since the last Annual General Meeting of members to the date of this report, no Director has received or become entitled to receive any benefit other than Directors' fees and amounts/allowances received under employment contracts for Executive Directors. The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed under Note 25 to the financial statements. Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the institution is a party whereby Directors might acquire benefits by means of the acquisition of shares or debentures of the Bank or any other body corporate.

8. Capital adequacy

The Bank monitors the adequacy of its capital using ratios established by the Financial Institutions Act, 2004 as amended. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets and off-statement of financial position 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. e.g. Notes, coins and other cash assets, balances held with Bank of Uganda including securities issued by the Government of Uganda and securities held under the Bank of Uganda have a zero risk weighting, which means that no capital is required to support the holding of these assets. Loans and Advances, Property and equipment carry a 100% risk weighting. Based on the existing guidelines this means that they must be supported by capital equal to 100% of the risk weighted amount. Other asset categories have intermediate weightings.

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, unencumbered general provisions and non-dealing investments.

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

9. Operating and regulatory environments

Operating environment

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

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

Directors' Report

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

Exchange rate

The Uganda Shilling remained relatively stable against the dollar during the year 2022 and strengthened at the tail end supported by tight liquidity conditions in the money markets and inflows from offshores and seasonal inflows from remittances, coffee receipts and NGOs and due to the easing of the strengthening of the US dollar globally. Year-on-year, the Uganda shilling was 5.9 percent weaker. The year opened with a foreign exchange rate of UShs 3,545 per US Dollar in the month of January 2022 and the same was averaged at UShs 3,713 per US Dollar during the year and closed at UShs 3,720 per US Dollar at the end of December 2022.

Regulatory environment

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

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

10 Corporate governance

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

11. Events after the reporting period

Subsequent to the year end, on January 4, 2023 the shareholders of the Bank approved conversion of existing retained earnings of UShs 26,500,000 thousand into paid-up capital by way of issuance of bonus shares.

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

12. Independent Auditor

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

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

Directors' Report

13. Secretary

The company secretary is Miss Wagabaza & Co. Advocates whose registered office is at PO Box 25590, Kampala, Uganda.

14. Approval of financial statements

The financial statements set out on pages 16 to 55, which have been prepared on the going concern basis were approved by the board of directors on April 25, 2023.

By Order of the Board

Wagabaza & Co. Advocates
Company Secretary

signature ADVOCATES
25 APR 2023
FORMERLY WAGABAZA & CO ADVOCATES
P.O.BOX 25590, KAMPALA

Date: April 25, 2023
Place: Kampala, Uganda

Directors' Responsibilities and Approval

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

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

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

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

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

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

The financial statements set out on pages 16 to 55, which have been prepared on the going concern basis, were approved by the board of directors on April 25, 2023 and were signed on its behalf by:

Wenceslaus Rama Makuza
Chairman

Sanjay Kumar Khemka
Managing Director

Sameer Ranjan Behera
Executive Director

Date: April 25, 2023
Place: Kampala, Uganda

Grant Thornton

Certified Public Accountants

Independent Auditor's Report

To the members of Bank of India (Uganda) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of India (Uganda) Limited ("the Bank") set out on pages 16 to 55, which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and the other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank of India (Uganda) Limited as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Companies Act, 2012 and the Financial Institutions Act, 2004, and as amended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Including International Independance Standards) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Uganda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Uganda. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances to customers We considered this as a key audit matter in view of the complex and subjective judgments exercised by the Directors in estimating the provision for Expected Credit Losses (ECL) on loans and advances. In addressing this area, we focused on the following: • Allocation of loans and advances to stage 1, 2, or 3 in accordance with IFRS 9; • Modelling assumptions, estimates and data used to build and run the models that calculate the ECL; and • Appropriateness and completeness of overlays and overrides applied within the ECL calculation to adjust for known deficiencies. As disclosed in notes 1.9 & 14 of the financial statements, the Directors have estimated a provision for ECL on loans and advances to customers of UShs 5,311,255 thousand at December 31, 2022 (2021: UShs 4,455,976 thousand).	Our audit procedures included understanding and testing of the design, implementation and operating effectiveness of the key controls over the following: a) Controls over approving, recording and monitoring of loans and advances; b) Controls over the allocation of loans and advances to stages; and c) The governance process of loans downgrading, including the continuous re-assessment of the appropriateness of assumptions used in for determining the impairment allowance. Our testing of the design, implementation and operating effectiveness of the controls provided a basis for us to continue with the planned nature, timing and extent of our audit procedures. Our procedures to address the elevated inherent risk in ECL on loans and advances to customers included the following: a) We obtained an understanding of the Bank's credit policy and evaluated the processes for identifying impairment indicators and consequently, the grading of loans for compliance on the classification; b) We selected samples of loans considering the total exposure, risks, industry trends, etc. For selected samples,

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

Key audit matter	
	we have verified the total exposure, value of security, financial performance and banking of borrowers during the year; c) We assessed Directors' forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. We evaluated the consistency of key assumptions applied, benchmarking these to our own understanding of the relevant industries and business environments, to assess the validity of the collateral valuations. We re-computed Directors' calculation of the impairment allowances to check the accuracy and completeness of data captured in the ECL model; d) We tested a sample of the data used in the models as well as assessing the model methodology and tested the calculations within the models; e) We assessed whether the modelling assumptions used considered all relevant risks. We also tested the extraction from underlying systems of historical data used in the models; f) We involved our IT specialists in the areas that required specific expertise for confirming accuracy and completeness of the data used for ECL model; and g) We assessed the adequacy and appropriateness of disclosures in the financial statements. Based on our audit procedures, we did not identify any exceptions that would result in material misstatement to the financial statements.

Other matter

The financial statements of the Bank for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 21, 2022.

Other information

The Directors are responsible for the other information. The other information comprises of informations on pages 2 to 11. Other information does not include the Financial Statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies Act, 2012 and the Financial Institutions Act, 2004 and as amended and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Independent Auditor's Report

Report on other legal and regulatory requirements

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

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

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

Uday Bhalara
P0474

Grant Thornton

Grant Thornton
Certified Public Accountants

April 25, 2023
Kampala, Uganda

Statement of Profit or Loss and Other Comprehensive Income

	Note	2022 UShs '000	2021 UShs '000
Interest income	4	31,369,764	30,197,342
Interest expense	5	(11,189,071)	(11,758,988)
Net interest income		**20,180,693**	**18,438,354**
Non interest income	6	3,302,295	3,691,228
Operating expenses	7	(9,348,340)	(8,808,883)
Impairment allowance on financial assets	14	(855,279)	(2,922,175)
Profit before taxation		**13,279,369**	**10,398,524**
Taxation	9	(3,238,175)	(457,918)
Profit for the year		**10,041,194**	**9,940,606**
Other comprehensive income		-	-
Total comprehensive income for the year		**10,041,194**	**9,940,606**

The notes on pages 20 to 55 form an integral part of the financial statements.

Statement of Financial Position

	Note	2022 USh '000	2021 USh '000
Assets			
Cash and balances with Bank of Uganda	10	43,194,296	39,668,896
Investment in government securities	11	71,316,102	69,410,494
Due from group companies	12	3,785,319	1,284,536
Deposits and balances due from other financial institutions	13	53,227,599	61,196,660
Loans and advances to customers	14	187,129,273	181,747,057
Other assets	15	459,196	811,802
Current tax receivable	16	-	585,941
Deferred tax asset	17	2,220,605	1,624,258
Property, equipment and right-of-use assets	18	5,586,413	6,469,606
Total Assets		**366,918,803**	**362,799,050**
Equity and Liabilities			
Equity			
Share capital	19	27,000,000	27,000,000
Regulatory general credit risk reserve		840,454	1,173,324
Retained earnings		36,917,740	26,543,676
Total Equity		**64,758,194**	**54,717,000**
Liabilities			
Deposit and balances due to other financial institutions	13	12,000,000	13,836,957
Current tax payable	16	1,260,610	-
Due to group companies	21	57,749,902	56,720,000
Customer deposits	22	222,235,318	224,549,269
Other liabilities	23	8,914,779	12,975,824
Total Liabilities		**302,160,609**	**308,082,050**
Total Equity and Liabilities		**366,918,803**	**362,799,050**

The financial statements on pages 16 to 55, were approved by the board of directors and authorised for issue on the April 25, 2023 and were signed on its behalf by:

Sanjeev Ranjan Behera
Executive Director

Sanjay Kumar Khemka
Managing Director

The notes on pages 20 to 55 form an integral part of the financial statements.

Statement of Changes in Equity

	Share capital	Regulatory general credit risk reserve	Retained earnings	Total equity
	UShs '000	UShs '000	UShs '000	UShs '000
Balance at January 1, 2021	**27,000,000**	**950,850**	**16,901,239**	**44,852,089**
Profit for the year	-	-	9,940,606	9,940,606
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**9,940,606**	**9,940,606**
Transfer to regulatory reserves (net of tax)	-	298,169	(298,169)	-
Other adjustments	-	(75,695)	-	(75,695)
Total transactions with owners	**-**	**222,474**	**(298,169)**	**(75,695)**
Balance at January 1, 2022	**27,000,000**	**1,173,324**	**26,543,676**	**54,717,000**
Profit for the year	-	-	10,041,194	10,041,194
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**10,041,194**	**10,041,194**
Transfer to regulatory reserves (net of tax)	-	(332,870)	332,870	-
Total transactions with owners	**-**	**(332,870)**	**332,870**	**-**
Balance at December 31, 2022	**27,000,000**	**840,454**	**36,917,740**	**64,758,194**
Note(s)	19	20		

The notes on pages 20 to 55 form an integral part of the financial statements.

Bank of India (Uganda) Limited

Statement of Cash Flows

	Note	2022 USHs '000	2021 USHs '000
Cash flows from operating activities			
Interest receipts		31,337,401	30,197,633
Interest payments		(11,834,118)	(8,660,369)
Net fees and commission receipts		2,825,650	2,290,411
Other income received		462,337	1,410,520
Payments to employees and suppliers		(9,655,076)	(10,380,903)
Changes in:			
Loans and advances to customers		(6,500,134)	(3,906,212)
Cash reserve requirement		3,218,913	(9,458,913)
Other assets		938,347	(388,017)
Deposits and balances due to other financial institutions		(1,836,957)	4,187,957
Investment in government securities maturing 90 days after date of acquisition		(229,926)	(6,069,867)
Customer deposits		(1,284,046)	5,737,675
Due to group companies		1,029,902	9,283,000
Other liabilities		702,204	465,875
Cash generated from operating activities		**6,156,624**	**4,196,473**
Income tax paid	16	(1,987,971)	(1,219,317)
Net cash generated from operating activities		**6,156,624**	**4,196,473**
Cash flows from investing activities			
Purchase of property, equipment and right-of-use assets	18	(213,461)	(209,344)
Sale of property, equipment and right-of-use assets	18	14,308	-
Net cash used in investing activities		**(199,153)**	**(209,344)**
Cash flows from financing activities			
Dividend paid		(3,240,000)	-
Net cash used in financing activities		**(3,240,000)**	**-**
Movement in cash and cash equivalents for the year		**2,717,471**	**3,987,129**
Cash and cash equivalents at the beginning of the year		75,933,289	62,663,160
Total cash and cash equivalents at end of the year	24	**78,650,760**	**66,650,289**

The notes on pages 20 to 55 form an integral part of the financial statements

Notes to the Financial Statements

Corporate information

Bank of India (Uganda) Limited ("the Bank") is a public limited company incorporated and domiciled in Uganda. The Bank started its operations in Uganda on November 9, 2010.

The Bank is principally engaged in the provision of commercial banking services. The Bank has two branches and all are situated in Kampala.

The Registered office of the Bank is:

Plot 37, Jinja Road,
PO Box 7332
Kampala, Uganda.

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period except for the changes set out in note 2.

1.2 Critical judgements and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

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

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

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

Provision

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

Leases

The significant judgements in the implementation were determining if a contract contained a lease, and the determination of whether the Bank is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates in the respective economic environments. The average discount rate applied to lease liabilities was 3.10% p.a for US Dollar lease liabilities and 10.00% p.a for Uganda Shilling lease liabilities.

Notes to the Financial Statements

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

Impairment losses on loans and advances

Critical estimates have been made by the management in arriving at the discounted values of securities in order to arrive at the impairment charges for loans and advances. The calculation of impairment involves key judgements made by the directors;

- For individually significant financial assets, the Bank considered judgements that have an impact on the expected future cash flows of the asset. These include, the business prospects, industry and geopolitical climate of the customer, realizable value of collateral, the Bank's legal position, etc. Many of the key judgement factors have a degree of interdependency, therefore a significant level of judgement is required.

- 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

- For financial assets which are not individually significant, which comprise a large number of loans that with similar risk characteristics, statistical estimates and techniques are used. These techniques use models which analyze sector wise historical repayment and default rates over a period of five years. Further judgement is required to determine whether the current economic climate, 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 expected loss utilizes probability of default and loss given default inherent within the portfolio of impaired loans or receivables and the historical loss experience for assets with credit risk characteristics similar to those in one sector. Probability of default is determined based on the Bank's internal assessment and customer's credit rating, no of days' delay in repayment of dues.

- The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more default events occurring after the initial recognition. 90 days or more past due principle and interest.

Taxation

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

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

Critical judgements in applying accounting policies

Impairment of non financial assets

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

Notes to the Financial Statements

1.3 Revenue

Recognition of interest income and interest expense

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

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

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

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

Fees and commission on financial services

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

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

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

Notes to the Financial Statements

1.4 Translation of foreign currencies

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

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

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency 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 financial statements are recognised in profit or loss in the period in which they arise.

1.5 Property, equipment and right-of-use assets

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item willflow to the bank and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Subsequent to initial recognition, property and equipment and right-of-use-asset is measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Depreciation is calculated on a straight line basis 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	Useful life
IT equipment	Straight line	3 years
Office equipment	Straight line	5 years
Electrical fittings	Straight line	6 years
Furniture and fittings	Straight line	8 years
Motor vehicles	Straight line	4 years
Right -of-use assets	Straight line	2-16 years

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

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

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

Notes to the Financial Statements

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

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.

1.6 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

1.7 Leases

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

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

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

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

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

As a lessee

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

Notes to the Financial Statements

1.7 Leases (continued)

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

1.8 Tax

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

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

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

Current tax assets and liabilities

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

Notes to the Financial Statements

1.8 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 STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

1.9 Financial instruments

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price.
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

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

- Amortised cost

- Fair value through other comprehensive income (FVOCI)

- Fair value through profit or loss (FVTPL)

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

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

Determination of fair value

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

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

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

Notes to the Financial Statements

1.9 Financial instruments (continued)
are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

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

Financial assets and liabilities

Financial assets at amortized cost

The Bank measures due from banks, loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
-The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding
The details of these conditions are outlined below:

Business model assessment

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

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

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

The SPPI test

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

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

Financial assets and liabilities held at FVTPL

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

Debt instruments at FVOCI

The Bank classifies debt instruments at FVOCI when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets

1.9 Financial instruments (continued)

- The contractual terms of the financial asset meet the SPPI test

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

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

Equity instruments at FVOCI

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

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

Financial guarantees, letters of credit and undrawn loan commitments

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank 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 Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

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

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

- Change in currency of the loan
- Introduction of an equity feature

1.9 Financial instruments (continued)

- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

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

Derecognition other than for substantial modification

Financial assets

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

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

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

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

1.9 Financial instruments (continued)

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

Financial liabilities

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

Impairment of financial assets

Overview of the ECL principles

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

1.9 Financial instruments (continued)

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

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

The calculation of ECL

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

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

• Probability of Default (PD):

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

• Exposure at Default (EAD):

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

• Loss Given Default:

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

Write-off

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

Notes to the Financial Statements

1.10 Impairment of non-financial assets

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

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

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

1.11 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 transfered from retained earnings to a separate item "proposed dividend" under equity.

1.12 Contingent liabilities

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

Contingent assets and contingent liabilities are not recognised.

1.14 Equity

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

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Proceeds before Intended Use (Amendments to IAS 16)

Prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

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

The Bank has adopted the amendment for the first time in the 2022 financial statements.

The impact of the amendment is not material.

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

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

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

The Bank has adopted the amendment for the first time in the 2022 financial statements.

The impact of the amendment is not material.

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

IFRS 9 Financial Instruments

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

Lease Incentives

Removes potential for confusion regarding lease incentives.

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

The Bank has adopted the amendment for the first time in the 2022 financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations not yet effective

The Bank has chosen not to early adopt standards and interpretations, which have been published and are mandatory for the Bank's accounting periods beginning on or after January 1, 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023	Unlikely there will be a material impact
• Definition of accounting estimates (Amendments to IAS 8)	January 1, 2023	Unlikely there will be a material impact
• Disclosure of accounting policies (Amendments to IAS 1 and practice statement 2)	January 1, 2023	Unlikely there will be a material impact

Notes to the Financial Statements

3. Financial risk management

Financial risk management

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

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

(a) Capital management

Internally imposed capital requirements

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

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

- to comply with the capital requirements set by the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018; Financial Institutions (Capital Buffers and Leverage Ratio) Regulations 2020 and Financial Institutions (Revision of the Minimum Capital Requirements) Statutory Instrument 2022.

- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

- to maintain a strong capital base to support the development of its business; and

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

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

Externally imposed capital requirements

The Financial Institutions (Capital Buffers and Leverage Ratio) Regulations 2020 and Financial Institutions (Revision of the Minimum Capital Requirements) Statutory Instrument 2022 require financial institutions to: (a) hold the minimum level of regulatory capital of USh 120 billion (2021: UShs 25 billion); (b) maintain core capital of not less than 12.5% of total risk weighted assets plus risk weighted off balance sheet items; and (c) maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

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

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

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

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

Notes to the Financial Statements

3. Financial risk management (continued)

The table below summarizes the composition of the regulatory capital.

	2022 UShs '000	2021 UShs '000
Core capital (Tier 1)		
Share capital	27,000,000	27,000,000
Accumulated profit	36,917,747	26,543,682
Deferred tax	(2,220,605)	(1,624,258)
Total Tier 1 Capital	**61,697,142**	**51,919,424**
Supplementary capital (Tier 2)		
Unencumbered general provisions (FI Act)	1,881,697	1,824,213
Tier 1 capital	61,697,142	51,919,424
Tier 2 capital	1,881,697	1,824,213
Total capital (Tier 1 + Tier 2)	**63,578,839**	**53,743,637**

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

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

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

Introduction of the Basel II capital requirements

Bank of Uganda has over the years provided guidelines to supervised financial institutions on management of capital. From 2018 when the Market Risk Regulations were gazette up until December 2021, SFIs were holding capital in accordance with the Basel I Capital Accord which only covered credit and market risks.

In order to cater to risks not addressed under Basel I, BOU decided to implement the Basel II Capital Accord, together with some elements of Basel III.

The Basel II Framework introduces three pillars for the quantitative and qualitative management of capital.

Pillar 1 expands the minimum capital adequacy requirement to cover operational in addition to credit and market risks.

Pillar 2 emphasizes risk management by requiring each SFI to run an Internal Capital Adequacy Assessment Process (ICAAP) and allocate capital to all the risks that are considered material to it. This pillar also requires the regulator to review and verify the adequacy of the ICAAPs.

Pillar 3 encourages transparency through quantitative and qualititative market disclosures.

Bank of India (Uganda) Limited is aligned to the implementation plan for the roll out of Basel II and completed its first ICAAP reporting in 2022 following a parallel run of both Basel I and II from June to December 2021.

Notes to the Financial Statements

3. Financial risk management (continued)

Particulars	2022 Balance Sheet Nominal Amount UShs '000	2022 Risk Weight %	2022 Risk Weighted Amount UShs '000	2021 Balance Sheet Nominal Amount UShs '000	2021 Risk Weight %	2021 Risk Weighted Amount UShs '000
Assets						
Notes, coins and other cash assets	3,165,894	0 %	-	2,558,629	0 %	-
Investment in government securities	71,316,102	0 %	-	69,410,494	0 %	-
Due from commercial banks in Uganda	31,487,599	20 %	6,297,520	37,699,160	20 %	7,541,340
Balance with Bank of Uganda	40,028,402	0 %	-	37,110,267	0 %	-
Placements with local Banks	21,740,000	20 %	4,348,000	23,497,500	20 %	4,699,500
Due from banks outside Uganda with longterm rating as follows:						
ii. Rated BBB and non-rated	3,785,319	100 %	3,785,319	1,284,536	100 %	1,284,536
Loans and advances to customers (excluding loans secured by 100% cash margin)	167,461,716	100 %	167,461,716	161,111,364	100 %	161,111,364
Outstanding balance fully secured by FDR/SDR	20,708,000	0 %	-	20,636,778	0 %	-
Other assets	459,196	100 %	459,196	811,602	100 %	811,602
Current tax receivable	-	0 %	-	-	100 %	-
Deferred tax asset	2,220,605	0 %	-	1,624,258	0 %	-
Current tax receivable	-	100 %	-	585,941	100 %	585,941
Property, equipment and right-of-use asset	5,586,413	100 %	5,586,413	6,469,606	100 %	6,469,606
Tax recoverable	-	0 %	-	585,941	0 %	-
***Total assets**	**367,959,246**		**187,938,164**	**363,386,076**		**182,503,889**
Off balance sheet items						
Direct credit substitutes (guarantees and acceptances)	11,736,230	100 %	11,736,230	20,536,463	100 %	20,536,463
Transaction related (performance bonds and standbys)	-	0 %	-	-	50 %	-
Documentary credits (trade related and self liquidating)	6,527,117	20 %	1,305,423	9,519,489	20 %	1,903,898
Other commitments (unused formal facilities)	20,557,161	50 %	10,278,581	23,947,460	50 %	11,973,730
Total off balance sheet items	**38,820,508**		**23,320,234**	**54,003,412**		**34,414,091**
	410,717,942		**211,258,398**	**415,165,502**		**209,986,953**
Weighted items with market risk			3,339,067			-
Weighted items with operational risk			10,478,586			-
Total risk weighted assets			**225,076,051**			**209,986,953**

	FIA minimum requirement		Bank's leverage	
Core capital (Tier 1)			61,697,142	51,919,424
Total balance sheet			367,959,246	363,386,076
Off balance sheet exposure			38,820,508	54,003,412
Total assets			**406,779,754**	**417,389,488**
Leverage ratio	6%	6%	15.17%	12.44%

Notes to the Financial Statements

3. Financial risk management (continued)

The Bank's leverage ratio has improved in 2022 as compared to 2021 and above 6% which is the required minimum as per Regulation 10 of the Financial Institutions (Capital Buffers and Leverage Ratio) Regulations, 2020.

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

	2022 UShs '000	2021 UShs '000
Total assets as per Statement of Financial Position	366,918,803	362,799,050
Less: Loans and advances to customer (as per IFRS)	(187,129,273)	(181,747,057)
Add: Loans and advances to customer (as per FI Act)	188,169,716	182,334,084
***Total assets (as above)**	**367,959,246**	**363,386,076**

Reconciliation of loan and advances to customers between IFRS and FIA	2022 UShs '000	2021 UShs '000
Gross loans and advances	192,704,252	186,204,118
Less: Specific provision as per FIA 2004 (and as amended)	(4,270,012)	(3,868,949)
Less: Interest in supense	(264,524)	(1,085)
Net loans and advances to customers for regulatory purposes	**188,169,716**	**182,334,084**
Represented by:		
Outstanding balance fully secured by FDR/SDR	20,708,000	20,636,778
Loans and advances to customers (excluding loans secured by 100% cash margin)	167,461,716	161,697,306
	188,169,716	**182,334,084**

	2022 Actual	2022 Minimum Requirements	2021 Actual	2021 Minimum Requirements
Core capital to risk assets ratio	27.41 %	12.50 %	24.73 %	12.50 %
Total capital to risk assets ratio	28.25 %	14.50 %	25.59 %	14.50 %

Credit risk

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

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

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

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

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

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

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

Notes to the Financial Statements

3. Financial risk management (continued)

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

Investments

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

Risk limit control and mitigation policies

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

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

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

Some other specific control and mitigation measures are outlined below:

Collateral

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

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

3. Financial risk management (continued)

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

Credit-related commitments

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

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

Maximum exposure to credit risk before collateral held

	2022 UShs '000	2021 UShs '000
Deposit and balances due from other financial institutions	53,227,599	61,204,201
Due from group companies	3,785,319	1,284,665
Cash and Balances with Bank of Uganda	40,028,402	37,110,267
Investment in government securities	71,316,102	69,425,572
Other assets	459,196	811,602
Loans and advances to customers	192,704,252	186,204,118
Credit exposure relating to off-balance sheet items:		
Letters of credit	6,527,117	9,519,489
Guarantees and acceptances	11,736,230	20,536,463
Undrawn formal stand-by facilities, credit lines and other commitments to lend	20,557,161	23,947,460
	400,341,378	**410,043,837**

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

As shown above, 48.13% (2021: 45.41%) of the total maximum exposure of the bank is derived from loans and advances to banks and customers 17.81% (2021: 16.93%) represents investments in government securities.

Impairment and provisioning policies

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

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

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

- 78% (2021: 88%) of the loans and advances portfolio are neither past due nor impaired
- 99% (2021: 98%) of the loans are backed by collaterals

Notes to the Financial Statements

3. Financial risk management (continued)

- 100% (2021: 100%) of the investments in debt securities are government securities.
- The Bank exercises stringent control over granting of new loans

Loans and advances are categorized as follows:

	2022 UShs '000	2021 UShs '000
Stage 1	150,273,600	163,745,845
Stage 2	30,913,474	18,676,739
Stage 3	11,517,178	3,781,534
Gross loans and advances	**192,704,252**	**186,204,118**
Impairment allowance	(5,311,255)	(4,455,977)
Interest in suspense	(263,724)	(1,085)
Loans and advances - net	**187,129,273**	**181,747,057**

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

Loans and advances renegotiated

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

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

Concentration of credit risk

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

At December 31, 2022

	Loans and advances %	Credit commitments %
Building and construction	40.13	38.57
Trade and commerce	24.86	20.40
Manufacturing	14.56	13.99
Agricultural	11.52	0.32
Business services	3.16	0.97
Transport and communication	1.58	0.12
Community social and other services	3.14	0.22
Personal and household	1.05	25.41
Gross	**100.00**	**100.00**

Notes to the Financial Statements

3. Financial risk management (continued)

At December 31, 2021

	Loans and advances	Credit commitments
	%	%
Building and construction	38.10	26.21
Trade and commerce	21.70	29.94
Manufacturing	15.57	17.50
Agricultural	15.00	11.92
Business services	4.67	4.70
Transport and communication	1.71	0.39
Community social and other services	1.71	-
Personal and household	1.54	9.34
Gross	**100.00**	**100.00**

Liquidity risk

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

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

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

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

Notes to the Financial Statements

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

At December 31, 2022

	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Assets						
Cash and balances with Bank of Uganda	43,194,296	-	-	-	-	43,194,296
Investment in government securities	998,708	7,841,764	35,702,450	22,397,940	4,375,240	71,316,102
Due from group companies	3,785,319	-	-	-	-	3,785,319
Deposit and balances due from other financial institutions	53,227,599	-	-	-	-	53,227,599
Loans and advances to customers	35,275,758	13,024,496	47,272,992	61,525,636	35,605,370	192,704,252
Total assets	**136,481,680**	**20,866,260**	**82,975,442**	**83,923,576**	**39,980,610**	**364,227,568**
Liabilities						
Deposit and balances due to other financial institutions	12,000,000	-	-	-	-	12,000,000
Customer deposits	15,429,325	55,703,223	147,168,172	3,934,600	-	222,235,320
Due to group companies	57,749,902	-	-	-	-	57,749,902
Other liabilities	2,717,616	-	1,020,118	5,440,768	-	9,178,502
Total liabilities	**87,896,843**	**55,703,223**	**148,188,290**	**9,375,368**	-	**301,163,724**
Net liquidity gap	**48,584,837**	**(34,836,963)**	**(65,212,848)**	**74,548,208**	**39,980,610**	**63,063,844**
Off-balance sheet items	23,163,735	4,097,650	11,559,123	-	-	38,820,508
Overall net position	**25,421,102**	**(38,934,613)**	**(76,771,971)**	**74,548,208**	**39,980,610**	**24,243,336**

At December 31, 2021

	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Total assets	98,047,020	10,943,651	94,227,864	138,230,512	13,260,154	354,709,201
Total liabilities	73,876,950	70,767,952	150,068,238	5,825,441	4,304,555	304,843,136
Net liquidity gap	**24,170,070**	**(59,824,301)**	**(55,840,374)**	**132,405,071**	**8,955,599**	**49,866,065**
Off-balance sheet items	30,320,286	6,795,083	14,335,841	2,552,202	-	54,003,412
Overall net position	**(6,150,216)**	**(66,619,384)**	**(70,176,215)**	**129,852,869**	**8,955,599**	**(4,137,347)**

3. Financial risk management (continued)

Market risk

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

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

Stress test

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

Foreign exchange risk

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

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

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

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

	Effect on profit (decrease)	
Currency	**2022**	**2021**
	UShs '000	**UShs '000**
US Dollar	830,408	982,275
Euro	(8,583)	(5,568)
GBP	(6,628)	(4,660)
Others	(410)	(3,008)
Total	**814,787**	**969,039**

Notes to the Financial Statements

3. Financial risk management (continued)

Currency risk

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

The significant currency positions are detailed below:

At December 31, 2022

	USD	GBP	EURO	KSHS	Others	Total
	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000	UShs '000
Assets						
Cash and balances with Bank of Uganda	8,298,860	2,294	19,222	390	-	8,320,766
Due from group companies	-	134,432	118,067	1,608	3,857	257,964
Deposits and balances due from other financial institutions	49,409,391	-	-	-	-	49,409,391
Loans and advances to customers	153,151,186	-	-	-	-	153,151,186
Total assets	**210,859,437**	**136,726**	**137,289**	**1,998**	**3,857**	**211,139,307**
Liabilities						
Customer deposits	145,509,131	42,034	14,674	-	-	145,565,839
Due to group companies	57,749,902	-	-	-	-	57,749,902
Other liabilities	1,200,035	-	-	-	-	1,200,035
Total liabilities	**204,459,068**	**42,034**	**14,674**	-	-	**204,515,776**
Net foreign currency exposure	**6,400,369**	**94,692**	**122,615**	**1,998**	**3,857**	**6,623,531**
Off-balance sheet items	(18,263,346)	-	-	-	-	(18,263,346)
Overall foreign currency exposure	**(11,862,977)**	**94,692**	**122,615**	**1,998**	**3,857**	**(11,639,815)**

At December 31, 2021

	USD	GBP	EURO	KSHS	Others	Total
Total assets	200,422,561	83,991	80,780	9,646	33,329	200,630,307
Total liabilities	198,103,082	17,416	1,242	-	-	198,121,740
Net foreign currency exposure	**2,319,479**	**66,575**	**79,538**	**9,646**	**33,329**	**2,508,567**
Off-balance sheet items	(16,351,985)	-	-	-	-	(16,351,985)
Overall foreign currency exposure	**(14,032,506)**	**66,575**	**79,538**	**9,646**	**33,329**	**(13,843,418)**

Notes to the Financial Statements

3. Financial risk management (continued)

Exchange rates used for conversion of foreign items were:

US Dollar	3,720	3,545
GBP	4,478	4,779
Euro	3,962	4,015
INR	45	48
KSh	30	31

Interest rate risk

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

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

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

At December 31, 2022	Up to 1 month UShs '000	1 to 3 months UShs'000	3 to 12 months UShs'000	1 to 5 years UShs '000	Over 5 years UShs '000	Total UShs'000
Assets						
Investment in government securities	998,708	7,841,764	35,718,948	26,741,604	-	71,301,024
Deposits and balances due from other financial institutions	21,740,000	-	-	-	-	21,740,000
Loans and advances to customers	35,275,758	13,024,496	47,272,992	97,131,006	-	192,704,252
Total assets	**58,014,466**	**20,866,260**	**82,991,940**	**123,872,610**	-	**285,745,276**
Liabilities						
Customer deposits	97,519,784	33,022,056	115,329,477	1,753,514	-	247,624,831
Deposits and balances due to other financial institutions	12,000,000	-	-	-	-	12,000,000
Other liabilities	-	-	1,221,791	3,865,934	553,785	5,641,510
Due to group companies	-	-	57,749,902	-	-	57,749,902
Total liabilities	**109,519,784**	**33,022,056**	**174,301,170**	**5,619,448**	553,785	**323,016,243**
Interest sensitivity gap	**(51,505,318)**	**(12,155,796)**	**(91,309,230)**	**118,253,162**	**(553,785)**	**(37,270,967)**
At December 31, 2021						
Total assets	97,461,080	10,943,651	94,227,864	151,490,666	-	354,123,260
Total liabilities	74,947,328	70,767,952	150,073,495	10,129,799	1,516,374	305,918,574
Interest sensitivity gap	**22,513,752**	**(59,824,301)**	**(55,845,631)**	**141,360,867**	**(1,516,374)**	**48,204,686**

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

Notes to the Financial Statements

3. Financial risk management (continued)

Interest rate risk sensitivity

As at December 31, 2022, if interest rates had been 10% lower/higher with all other variables held constant, post-tax profit and equity for the year would have been UShs 1,412 million (2021: UShs 1,291 million) lower/higher, arising mainly as a result of change in interest income and expense.

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

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

Risk measurement and control

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

Notes to the Financial Statements

	2022 UShs '000	2021 UShs '000
4. Interest income		
Loans and advances	20,778,838	20,865,253
Treasury bonds	5,222,594	4,099,101
Treasury bills	3,498,163	3,157,541
Deposits and balances due from other financial institutions	1,870,169	2,075,447
	31,369,764	**30,197,342**
5. Interest expense		
Time deposits	10,783,620	11,374,916
Savings accounts	173,662	132,572
Current and demand deposits	37,843	45,319
Lease liabilities	193,946	206,181
	11,189,071	**11,758,988**
6. Non-interest income		
Fees and commission income	2,839,958	3,026,074
Foreign exchange difference	448,029	655,451
Gain on sale of property and equipment	14,308	-
Gain on derecognition of right-of-use-asset	-	9,703
	3,302,295	**3,691,228**
7. Operating expenses		
Employee costs (note 8)	2,704,565	2,449,718
Depreciation (note 18)	1,489,055	1,288,448
Bad debts written off	1,392,119	1,628,225
Telephone and fax	922,897	841,616
Insurance	529,260	606,507
Fee charges	575,961	647,151
Other expenses	312,150	248,225
Subscriptions	261,876	102,200
Bank charges	237,819	214,917
Staff welfare	230,041	213,533
Printing and stationery	143,155	146,065
Auditors remuneration	107,545	144,966
Rents and rates	95,338	87,779
Advertising	94,843	16,356
Travelling	86,202	78,739
Repairs and maintenance	76,963	23,765
Directors' emoluments	52,838	34,809
Consulting and professional fees	25,661	17,754
Donations	10,062	18,110
	9,348,340	**8,808,883**
8. Employee costs		
Salaries and wages	2,507,715	2,174,273
Other benefits	61,573	57,424
National social security fund contribution	135,277	218,021
	2,704,565	**2,449,718**

	2022 USh s '000	2021 USh s '000
9. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	2,090,370	607,209
Withholding tax ("WHT") on investment income	1,744,152	1,115,001
	3,834,522	**1,722,210**
Deferred		
Originating and reversing temporary differences	(596,347)	(1,264,292)
	3,238,175	**457,918**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2022 USh s '000	2021 USh s '000
Accounting profit	13,279,369	10,398,524
Tax at the applicable tax rate of 30% (2021: 30%)	3,983,811	3,119,557
Tax effect of adjustments on taxable income		
Final tax (WHT) on investment income*	1,744,152	1,115,001
Tax on income subject to final WHT**	(2,616,227)	(2,176,994)
Prior period adjustments	107,182	(1,697,854)
Non-deductible expenses	19,257	98,208
	3,238,175	**457,918**

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

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

10. Cash and balances with Bank of Uganda

	2022 USh s '000	2021 USh s '000
Cash on hand	3,165,894	2,558,629
Balances with Bank of Uganda	40,028,402	37,110,267
	43,194,296	**39,668,896**

Balances with Bank of Uganda include the mandatory deposits which are advised fortnightly by the Central Bank based on the deposit balances held for the past two weeks. The amount advised includes cash and balances held with Bank of Uganda and this amount not available to finance the day to day activities of the Bank. Balances in excess of the advised amount is however available to finance the Banks investment activities. As at December 31, 2022, the mandatory deposits were 10% of total deposits (2021: 11% of total deposits).

Notes to the Financial Statements

	2022 USh's '000	2021 USh's '000
11. Investment in government securities		
At amortised cost		
Treasury bills	30,880,311	36,693,318
Treasury bonds	40,435,791	32,732,254
	71,316,102	69,425,572
Less: Impairment allowance	-	(15,078)
	71,316,102	**69,410,494**

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

As at the reporting date the bank pledged treasury bills of 364 days to UShs 1,000 million (2021: UShs Nil) with Bank of Uganda

12. Due from group companies

	2022 USh's '000	2021 USh's '000
Bank of India, London - GBP	134,432	81,543
Bank of India, New York - US Dollar	3,527,355	1,095,582
Bank of India, Paris - Euro	118,067	69,823
Bank of India, Nairobi - KSh	1,608	4,388
Bank of India, Mumbai - INR	3,857	33,329
	3,785,319	1,284,665
Less: Impairment allowance	-	(129)
	3,785,319	**1,284,536**

13. Deposit and balances due from (to) other financial institutions

	2022 USh's '000	2021 USh's '000
Due from other financial institutions in Uganda	53,227,599	61,204,201
Due to other financial institutions in Uganda	(12,000,000)	(13,836,957)
	41,227,599	47,367,244
Less: Impairment allowance	-	(7,541)
	41,227,599	**47,359,703**

14. Loans and advances to customers

	2022 USh's '000	2021 USh's '000
Overdrafts	83,084,552	70,105,586
Term loans	109,619,700	116,098,532
Gross loans and advances to customers	192,704,252	186,204,118
Less: Impairment allowance	(5,311,255)	(4,455,976)
Less: Interest in suspense	(263,724)	(1,085)
	187,129,273	**181,747,057**

Reconciliation of impairment allowance for loans and advances and off balance exposure

All impaired loans have been written down to their estimated recoverable amount. The aggregate carrying amount of impaired loans at December 31, 2022 was UShs 11,517 million (2021: UShs 3,781 million) on which provision of UShs 4,432 million (2021: UShs 3,781 million) is created.

Advances to customers include loans to employees of UShs 646 million (2021: UShs 674 million). The weighted average effective interest rate on local currency loans and advances to customers as at December 31, 2022 was 17.04% (2021: 18.0%) and 9.48% (2021: 9.0%) for foreign currency loans and advances

	2022	2021
	UShs '000	UShs '000

14. Loans and advances to customers (continued)

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The company does not hold any collateral as security.

	Loans and advances				Off balance sheet	
December 31, 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Total**
At start of the year	621,739	52,703	3,781,534	4,455,976	508,427	4,964,403
Charge / (credit) to profit and loss	(211,549)	416,592	650,236	855,279	-	855,279
At the end of year	**410,190**	**469,295**	**4,431,770**	**5,311,255**	**508,427**	**5,819,682**

	Loans and advances				Off balance sheet	
December 31, 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Total**
At start of the year	737,748	611,707	626,475	1,975,930	66,298	2,042,228
Charge / (credit) to profit and loss	(116,009)	(559,004)	3,155,059	2,480,046	442,129	2,922,175
At the end of year	**621,739**	**52,703**	**3,781,534**	**4,455,976**	**508,427**	**4,964,403**

15. Other assets

	2022	2021
Prepayments	279,290	243,383
Security deposits	102,679	102,816
Clearing account	43,886	34,810
Other receivables	33,341	430,593
	459,196	**811,602**

16. Tax paid

	2022	2021
Balance at beginning of the year	585,941	359,966
Current tax for the year recognised in profit or loss	(3,834,522)	(1,722,210)
Balance at end of the year	1,260,610	(585,941)
	(1,987,971)	**(1,948,185)**

Notes to the Financial Statements

	2022 USh '000	2021 USh '000

17. Deferred tax asset

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

	2022 USh '000	2021 USh '000
Deferred tax asset	2,220,605	1,624,258

Reconciliation of deferred tax asset / (liability)

	2022 USh '000	2021 USh '000
At beginning of year	1,624,258	359,966
Leases	102,868	416,639
Property and equipment	(41,073)	(18,186)
Impairment allowance	507,326	863,461
Unrealised foreign exchange differences	134,409	2,378
Prior period adjustments	(107,183)	-
	2,220,605	**1,624,258**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

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

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
IT equipment	2,444,220	(2,195,961)	248,259	2,288,517	(2,096,270)	192,247
Office equipment	417,517	(385,481)	32,036	414,236	(368,585)	45,651
Electrical fittings	709,947	(646,943)	63,004	669,398	(626,159)	43,239
Furniture and fittings	586,886	(512,471)	74,415	572,956	(480,907)	92,049
Motor vehicles	160,000	(160,000)	-	160,000	(160,000)	-
Right-of-use assets	9,839,932	(4,671,233)	5,168,699	9,447,534	(3,351,114)	6,096,420
Total	**15,649,054**	**(10,062,641)**	**5,586,413**	**15,043,193**	**(8,573,587)**	**6,469,606**

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

	Opening balance	Additions	Depreciation	Closing balance
Electrical fittings	43,239	40,549	(20,784)	63,004
Furniture and fittings	92,049	13,930	(31,564)	74,415
Office equipment	45,651	3,280	(16,895)	32,036
IT equipment	192,247	155,702	(99,690)	248,259
Right-of-use assets	6,096,420	392,401	(1,320,122)	5,168,699
	6,469,606	**605,862**	**(1,489,055)**	**5,586,413**

	2022 USh's '000	2021 USh's '000

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

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

	Opening balance	Additions	Disposals	Depreciation	Closing balance
IT equipment	217,904	206,245	-	(231,902)	192,247
Electrical fittings	86,925	1,204	-	(44,890)	43,239
Furniture and fittings	121,054	1,895	-	(30,900)	92,049
Office equipment	70,468	-	-	(24,817)	45,651
Motor vehicles	26,250	-	-	(26,250)	-
Right-of-use assets	6,092,605	1,094,350	(160,845)	(929,689)	6,096,420
	6,615,206	**1,303,694**	**(160,845)**	**(1,288,448)**	**6,469,606**

19. Share capital

	2022	2021
Authorised		
2,700,000 Ordinary shares of UShs 10,000 each	27,000,000	27,000,000
Issued and paid-up		
Ordinary shares	27,000,000	27,000,000

20. Regulatory credit risk reserve

	2022	2021
At the start of the year	1,173,324	950,850
Movement	(332,870)	298,169
Other adjustment	-	(75,695)
Closing balance	**840,454**	**1,173,324**

	2022	2021
Provision as per FI Act 2004 and as amended		
Specific provision	4,270,012	3,781,730
General provision	1,881,697	1,847,570
	6,151,709	5,629,300
Less: Impairment allowance under IFRS 9	5,311,255	4,455,976
Regulatory credit risk reserve	**840,454**	**1,173,324**

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

21. Due to group companies

	2022	2021
Bank of India, USA	27,947,360	12,407,500
Bank of India, UK	29,802,542	44,312,500
	57,749,902	**56,720,000**

Notes to the Financial Statements

	2022 USHs '000	2021 USHs '000
22. Customer deposits		
Current and demand accounts	32,142,650	27,450,242
Savings accounts	25,238,587	26,539,136
Time deposits	164,854,081	170,559,891
	222,235,318	**224,549,269**
23. Other liabilities		
Lease liabilities (note 28)	5,641,510	6,223,267
Other payables	1,028,322	1,204,441
Government dues payable	996,193	910,393
Accrued expenses	713,336	859,805
Impairment allowance on off-balance sheet items (note 14)	508,427	508,427
Bank cheques payable	26,991	29,491
Dividends payable	-	3,240,000
	8,914,779	**12,975,824**
24. Analysis of cash and cash equivalents		
Cash and balances with Bank of Uganda (note 10)	43,194,296	39,668,896
Cash reserve requirement	(27,430,000)	(30,648,913)
Government securities maturing within 90 days from the date of acquisition	5,873,546	4,432,110
Due from group companies (note 12)	3,785,319	1,284,536
Deposits and balances due from other financial institutions (note 13)	53,227,599	61,204,201
	78,650,760	**75,940,830**

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

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

25. Off balance sheet financial instruments, contingent liabilities and commitments

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

	2022 USHs '000	2021 USHs '000
Contingent liabilities		
letters of credit	6,527,117	9,519,489
Guarantees and acceptances	11,736,230	20,536,463
	18,263,347	**30,055,952**
Commitments		
Undrawn formal stand-by facilities, credit lines and other commitments to lend	20,557,161	23,947,460
	20,557,161	**23,947,460**

Refer to note 22 for impairment allowance on off-balance sheet financial instruments, contingent liabilities and commitments.

Notes to the Financial Statements

	2022 UShs '000	2021 UShs '000

25. Loans and advances to customers (continued)

Nature of contingent liabilities

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

Contingent liabilities are secured by both cash and property collaterals..

Nature of commitments

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

26. Related parties

Holding company	Bank of India, India
Affiliates	Bank of India, USA Bank of India, France Bank of India, UK Bank of India, Kenya Bank of India, India
Members of key management	Vikash Krishna (up to March 3, 2023) Ranjan Kumar (up to January 4, 2023) Sameer Rajan Behera (from January 5, 2023) Sanjay Kumar Khemka (from March 4, 2023) Nayenga Rosetti Nabbumba Monica Mubezi Katiko

Related party transactions

	2022 UShs '000	2021 UShs '000
Key management compensation		
Non-Executive Directors	52,838	34,809
Executive Directors	710,132	667,557

Related party balances

	2022 UShs '000	2021 UShs '000
Due from group companies		
Bank of India, UK	134,432	81,543
Bank of India, USA	3,527,355	1,095,582
Bank of India, France	118,067	69,823
Bank of India, Kenya	1,608	4,388
Bank of India, India	3,857	33,329
Due to group companies		
Bank of India, USA	(27,947,360)	(12,407,500)
Bank of India, UK	(29,802,542)	(44,312,500)

27. Commitments

Authorised capital expenditure

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

Notes to the Financial Statements

	2022 USHs '000	2021 USHs '000

28. Events after the reporting period

Subsequent to the year end, on January 4, 2023 the shareholders of the Bank approved conversion of existing retained earnings of UShs 26,500,000 thousand into paid-up capital by way of issuance of bonus shares

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

29. Lease liabilities

The Bank leases various branches and other premises under lease arrangements to meet its operational business requirements. Currently, the bank does not have any material subleasing arrangements. Lease liabilities represents the minimum lease payments under the lease, discounted at the incremental borrowing rate of the Bank

	2022 USHs '000	2021 USHs '000
Minimum lease payments due		
- within one year	1,382,082	2,552,989
- in second to fifth year inclusive	4,224,729	2,549,607
- later than five years	559,518	2,006,851
	6,166,329	7,109,447
less: future finance charges	(524,819)	(886,180)
Present value of minimum lease payments	**5,641,510**	**6,223,267**
Present value of minimum lease payments due		
- within one year	1,221,791	2,592,915
- in second to fifth year inclusive	3,865,934	2,113,978
- later than five years	553,785	1,516,374
	5,641,510	**6,223,267**
Movement in lease liabilities		
At the start of the year	6,223,267	6,385,690
Additions	392,401	1,094,350
Interest expense	193,946	206,181
Lease payments during the year	(1,380,748)	(1,292,405)
Derecognition of leases	-	(170,549)
Foreign exchange differences	212,644	-
	5,641,510	**6,223,267**

30. Comparative figures

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