ORIENT BANK

ANNUAL REPORT AND

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

TABLE OF CONTENTS

Contents	Pages

Corporate Information

DIRECTORS

Mr. Michael Cook	- Chairman	British
Dr. Ketan Morjaria	- Non Executive Director	Ugandan
Mr. Hemen Shashikant Shah	- Non Executive Director	American
Mr. Francis M. Byaruhanga	- Non Executive Director	Ugandan
Mr. Joram Kahenano	- Non Executive Director	Ugandan
Mr. Zhong Shuang Quan (Alternative: Mr. Jay Karia)	- Non Executive Director	Chinese
Mr. Julius Kakeeto	- Managing Director (Resigned 3rd October 2019)	Ugandan
Ms. Darshana Bhatia	- Executive Director (Resigned 31st August 2020)	Indian
Mr. Kumaran Pather	- Managing Director (Appointed 1st January 2020)	South African

COMPANY SECRETARY
Nicholas Ecimu
C/O Sebalu & Lule Advocates
Certified Public Secretaries (Uganda)
P.O. Box 2255
Kampala

COMPANY LAWYER
Shonubi Musoke & Company Advocates
SM Chambers
Plot 14, Hannington road
P.O. Box 3213
Kampala

INDEPENDENT AUDITORS
Deloitte & Touche
Certified Public Accountant of Uganda
3rd Floor, Rwenzori House, Plot 1, Lumumba Avenue
P. O. Box 10314
Kampala

REGISTERED OFFICE
Orient Plaza
Plot 6 & 6A, Kampala Road
P. O. Box 3072

Corporate Information (Continued)

BRANCHES

Orient Plaza Branch
Plot 6 & 6A, Kampala Road
P. O Box 3072, Kampala

William Street Branch
Plot 44, William Street
P.O. Box 22789, Kampala

Entebbe Town Branch
Plot 29, Kampala Road
P. O. Box 787, Entebbe

Entebbe Airport Branch
Entebbe International
Airport
P. O. Box 787, Entebbe

Kawempe Branch
Plot 78 Bombo Road
P.O. Box 7839, Kampala

Mbale Branch
Plot 23, Naboa Road
Mbale municipality

Gulu Branch
Plot 15 Awere Road, Gulu

Kololo Branch
Nyonyi Gardens, Kampala

Jinja Town Branch
Plot 8 Scindia Road
P.O. Box 368, Jinja

Garden City Branch,
1st Floor, Garden City Mall
Yusuf Lule Road, Kampala

Kabalagala Branch
Plot 1900, Block 15,
Nsambya, Kabalagala
Ggaba Road, Kampala

Arua Branch
Plot 12, Avenue Road
Arua Municipality

Ntinda Service Centre,
Capital Shoppers Mall
P.O. Box 3072 Kampala

Kikuubo Branch,
Grand Corner House,
P.O. Box 3072 Kampala

Acacia Mall Branch
Plot 16/17 Wampewo
Avenue

Kololo Branch,
Nyonyi Gardens
P.O. Box 36336 Kampala

Bweyogerere Branch
Plot 3964-3965, Jinja Road

Mbarara Branch
Plot 73, High Street

Report of the Directors

The Directors present their report together with the audited consolidated and separate financial statements of Orient Bank Limited (the "Bank") and its subsidiary, Equity Stock Brokers Limited (together "the Consolidated") for the year ended 31 December 2020.

ACTIVITIES

The principal activities of the Bank are the provision of commercial banking and related financial services.
The principal activity of the subsidiary is stock brokering.

RESULTS AND DIVIDEND

The Consolidated and Bank loss for the year of Ushs 22,654 million (2019: loss of Ushs 1,053 million) and Ushs 22,692 million (2019: loss of Ushs 1,075 million) respectively has been transferred to retained earnings.

The directors do not recommend payment of dividend for the year (2019: Nil).

CORPORATE GOVERNANCE

Orient Bank Limited has established a tradition of best practices in corporate governance. The corporate governance framework is based on an effective independent board, the separation of the board's supervisory role from the executive management and the constitution of board committees generally comprising a majority of non-executive directors and chaired by a non-executive director to oversee critical areas.

BOARD OF DIRECTORS

Orient Bank Limited has a broad-based Board of Directors. The board functions either as a full board or through various committees constituted to oversee specific operational areas. The Board has constituted six committees. These are the Audit Committee, Risk Committee, Asset & Liability Committee, Remunerations and Nominations Committee, Credit Committee, Board IT Committee. All of these Board Committees are constituted and chaired by non-executive directors. As at 31 December 2020, the Board of Directors consisted of 7 members.

Report of the Directors (Continued)

a) Audit Committee

This committee is chaired by an independent Non-Executive Director. The committee meets every quarter and also comprises:

i) Mr. Francis M. Byaruhanga
ii) Mr. Joram Kahenano

The Audit Committee informs the Bank and the Board of any risks, suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

b) Asset and Liability Committee

ALCO is headed by a Non-Executive Director and meets quarterly. It also comprises the following:

i) Mr. Hemen Shashikant Shah
ii) Mr. Ketan Morjaria
iii) Mr. Zhong Shuang Quan (Alternative: Mr. Jay Karia)

The overall objective of the Asset and Liability Committee is to maximize earning and return on capital with acceptable and controllable levels of the main treasury risks i.e. liquidity, interest rate, foreign exchange and concentration risks. The assets and liabilities of the Bank shall be managed to maximize shareholder value, to enhance profitability and increase capital, and to protect the Bank from any excessive financial risks arising from changes in interest rates.

c) Remuneration and Nominations Committee

This committee decides on recruitment at senior levels based on responsibilities and remuneration of management staff and directors. It meets quarterly. The committee is headed by a Non-Executive Director and comprises:

i) Mr. Francis M. Byaruhanga
ii) Mr. Ketan Morjaria
iii) Mr. Hemen Shashikant Shah

The Committee is responsible for ensuring that the Board remains balanced, both in terms of skills and experience, and between Executive and Non-Executive Directors. It is authorized to lead the process for appointments to the Board, and make recommendations to the Board, ensuring there is a formal, rigorous and transparent procedure.

d) Risk committee

This committee is headed by a Non-Executive Director and meets quarterly. It is comprised of the following members:

i) Mr. Hemen Shashikant Shah
ii) Mr. Joram Kahenano
iii) Mr. Ketan Morjaria

The committee is granted the authority for (i) oversight and advice to the board in relation to the current and potential risk exposures of OBL; (ii) oversight of the Bank's Risk Management Framework; (iii) the future risk strategy of the bank, including strategy for capital and liquidity management and the determination of risk appetite and tolerance, and (iii) promoting a risk awareness culture in the bank, alongside established policies and procedures.

Report of the Directors (Continued)

e) Credit Committee
The Board Credit Committee is chaired by a Non-Executive Director. It meets quarterly and comprises:
i) Mr. Ketan Morjaria
ii) Mr. Hemen Shashikant Shah
iii) Mr. Francis M. Byaruhanga
iv) Mr. Zhong Shuang Quan

The Credit Committee seeks to ensure that the quality of the Bank's asset book remains within acceptable parameters and that the business has an effective credit policy, consistent with regulatory requirements and prudent risk management practices.

f) IT Committee
The Board IT Committee is chaired by a Non-Executive Director. It meets quarterly and comprises:
i) Mr. Ketan Morjaria
ii) Mr. Hemen Shashikant Shah

The IT Committee is granted the authority for oversight and advice to the Board on IT strategy and initiatives, and to oversee the implementation and cost effectiveness of IT projects and IT security.

In addition to the above committees, there are committees on a management level comprised of senior management whose frequency of meetings is daily, weekly, monthly and quarterly.

Directors and their Benefits
During the financial year and up to the date of this report, other than as disclosed in Note 39 to the financial statements, no director has received or become entitled to receive any benefit other than directors' fees, and amounts receivable by executive directors under employment contracts and the senior staff incentive scheme. The aggregate amount of emoluments for directors for services rendered in the financial year is disclosed in Note 39 to the financial statements.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Bank is a party whereby directors might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate.

DIRECTORS

The directors who held office during the year and up to the date of this report are indicated on page 2.

STATEMENT OF GOING CONCERN

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

INDEPENDENT AUDITORS

The auditor, Deloitte & Touche, Certified Public Accountants of Uganda will not continue in office in accordance with section 67 of the Financial Institutions Act 2004 as amended in 2016.

BY ORDER OF THE BOARD

Secretary
Nicholas Ecimu
C/O Sebalu & Lule Advocates
Kampala

Statement of Directors' Responsibilities

The Companies Act of Uganda, 2012 requires the Directors to prepare consolidated and separate financial statements for each financial year that give a true and fair view of the state of affairs of the Consolidated and Bank as at the end of the financial year and of its results for that year. It also requires the Directors to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. They are also responsible for safeguarding the assets of the Group.

The Directors accept responsibility for these Consolidated and Separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, the requirements of the Companies Act of Uganda, 2012 and the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016.

The Directors are of the opinion that the Consolidated and Separate financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit and cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards, the requirements of the Companies Act of Uganda, 2012 and the Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act, 2016. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
Nothing has come to the attention of the Directors to indicate that the Consolidated will not remain a going concern for at least twelve months from the date of this statement.

The Consolidated and Separate financial statements were approved by the Board of Directors on _____________ and signed on its behalf by;

Director

Director

Director

Secretary

Deloitte.

Deloitte & Touche
Certified Public Accountant of Uganda
CPAU Registration No: AF0001
3rd Floor, Rwenzori House
1 Lumumba Avenue
P O Box 10314
Kampala, Uganda
Tel: +256 (417) 701 000
+256 (323) 202 100
Fax +256 (414) 343 887
Email: admin@deloitte.co.ug
www.deloitte.com

Opinion

We have audited the consolidated and separate financial statements of Orient Bank Limited ("the Bank") and its subsidiary (together "the Group"), as set out on pages 13 to 102. These Consolidated and Separate financial statements ("the financial statements") comprise the Consolidated and Separate Statements of financial position as at 31 December 2020, and the Consolidated and Separate Statements of profit or loss and other comprehensive income, Consolidated and Separate Statements of changes in equity and Consolidated and Separate Statements 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 Consolidated and Separate financial statements present fairly the state of the financial affairs of the Group and the Bank as at 31 December 2020, and of their financial performance and cash flows for the year then ended and are prepared in accordance with International Financial Reporting Standards (IFRSs) and requirements of the Uganda Companies Act, 2012 as well as the Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act, 2016.

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 and its subsidiary in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 3.5 of the financial statements, which describes the non-compliance with requirements of Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act, 2016 with respect to capital adequacy ratios. Our opinion is not modified in respect of this matter.

Key audit matters

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

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans On 1 January 2018, a new accounting standard for financial instruments (IFRS 9) became effective, which introduced impairment based on expected credit losses, rather than the incurred loss model previously applied under IAS 39. Significant judgement is required by the directors in determining the Expected Credit Losses in line with IFRS 9. Accordingly, the calculation of these allowances is considered a key audit matter due to the significance of the balance to the financial statements as a whole combined with strict regulatory guidelines. As at 31 December 2020, the gross loans to customers amounted to Ushs 284 billion, contributing 35% of the Bank's total assets. Expected Credit losses of Ushs 21 billion were assessed against the loans and advances to customers. Refer to Note 22 to the financial statements	a) Our procedures to assess the directors' estimation of the Expected Credit Losses included the following: • We tested the design, implementation and operating effectiveness of key controls across the processes relevant to the ECL. This included the allocation of assets into stages, model governance, data accuracy and completeness, individual provisions and production journal entries and disclosures. • We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macro economic environment.
Key judgements and estimates in respect of the timing and measurement of expected credit losses (ECL) include: • Allocation of assets to stage 1, 2 or 3 using criteria in accordance with the accounting standard. • Accounting interpretations and modelling assumptions used to build the models that calculate the ECL. • Completeness and accuracy of data used to calculate the ECL • Inputs and assumptions used to estimate the impact of multiple economic scenarios. • Measurements of individually assessed provisions including assessment of multiple scenarios; and • Accuracy and adequacy of the financial statement disclosures	• We reviewed and challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9. We tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage. • To verify data quality, we tested the data used in the ECL calculation by reconciling to source systems. To test credit monitoring, we recalculated the risk ratings for a sample of performing loans. • With support from our internal modelling specialists; (i) We tested the assumptions, inputs and formulae used in a sample of ECL models. This included assessing the appropriateness of model design and formulae used, considering alternative modelling techniques and recalculating the ECL. (ii) We assessed the base case and alternative economic scenarios, including challenging probability weights and comparing to other scenarios. We assessed whether forecasted macroeconomic variables were appropriate, such as GDP, interest rates. With the support from our internal modelling specialists, we challenged the

	correlation and impact of the macroeconomic factors to the ECL including how non-linearity was captured. (iii) We recalculated a sample of individually assessed provisions including comparing to alternative scenarios and challenging probability weights assigned. • We challenged assumptions used in assessing the effect of COVID-19 on the financial instruments of the Bank. • We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards; • We found the model and assumptions used in the calculation of the specific allowances to be in line with the IFRS, professional guidance and market practice Overall, the results of our evaluation of the Bank's allowance for impairment of loans are consistent with the Directors' assessment. We found that adequate disclosures had been made by the directors pertaining to the allowance for impairment of loans and advances and the related credit risk as per Notes 8 and 22 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 'Report of the Directors'. The 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 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 directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the Consolidated and Separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Uganda Companies Act, 2012 and the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016 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 intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the Consolidated and Separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for 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.

Report on the Consolidated and Separate Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

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

Report on other Legal Requirements
As required by the Uganda Companies Act, 2012, we report to you based on our audit, that:

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

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

iii. The Consolidated and Separate Statements of financial position (Balance sheet) and Consolidated and Separate Statements of profit or loss and other comprehensive income (profit or loss) are in agreement with the books of account.

The Engagement Partner responsible for the audit resulting in this independent auditor`s report is Norbert Kagoro Practicing Number P0053.

Deloitte & Touche

Certified Public Accountant of Uganda

29 APRIL 2021

Kampala

Norbert Kagoro
Partner

Consolidated and Separate statements of profit or loss and other comprehensive income

	Notes	Consolidated 2020 Ushs '000	Consolidated 2019 Ushs'000	Separate 2020 Ushs '000	Separate 2019 Ushs'000
Interest and similar income	5	50,096,126	61,560,569	50,053,012	61,552,182
Interest and similar expenses	5	(17,227,537)	(21,281,641)	(17,227,537)	(21,281,641)
Net interest income		**32,868,589**	**40,278,928**	**32,825,475**	**40,270,541**
Net fee and commission income	6	17,153,309	19,614,862	16,576,240	20,005,010
Net trading gains	7	5,670,526	4,079,242	5,670,526	4,079,242
Other Income	12(b)	2,539,270	2,417,857	2,539,245	1,708,037
Revenue		**58,231,694**	**66,390,889**	**57,611,486**	**66,062,830**
Impairment charges	8	(17,154,083)	(17,935,987)	(17,154,083)	(17,935,987)
Employee benefits expenses	9	(16,969,671)	(18,642,896)	(16,827,648)	(18,537,498)
General and administrative expenses	10	(12,376,478)	(13,385,115)	(12,376,478)	(13,382,615)
Other operating expenses	12	(37,953,645)	(25,098,850)	(37,519,218)	(24,907,215)
Finance cost	13	(636,312)	(894,690)	(636,312)	(894,690)
Loss before income tax		**(26,858,495)**	**(9,566,649)**	**(26,902,253)**	**(9,595,175)**
Income tax expense	14	4,203,646	8,513,466	4,209,333	8,519,579
Loss for the year		**(22,654,849)**	**(1,053,183)**	**(22,692,920)**	**(1,075,596)**
Equity stock brokers at fair value	21	-	-	30,457	20,134
Deferred income tax on fair value		-	-	(9,137)	15,662
Other comprehensive income for the year, net of tax		-	-	**21,320**	**35,796**
Total comprehensive income for the year		**(22,654,849)**	**(1,053,183)**	**(22,671,600)**	**(1,112,143)**

Loss attributable to:	Consolidated 2020 Ushs'000	Consolidated 2019 Ushs'000
Owners of the company	(22,662,463)	(1,057,666)
Non-controlling interests	7,614	4,483
	(22,654,849)	**(1,053,183)**

Total comprehensive income for the year attributable to:

Owners of the company	(22,662,463)	(1,057,666)
Non-controlling interests	7,614	4,483
	(22,654,849)	**(1,053,183)**

The notes on pages 18 to 102 form an integral part of these consolidated and separate financial statements.

Consolidated and separate statements of financial position

		Consolidated		Separate	
		2020	2019	2020	2019
	Notes	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Assets					
Cash and balances with Central Bank	16	200,118,900	229,295,518	200,039,898	229,295,518
Deposits and balances due from banking institutions	18	90,797,648	121,100,312	90,797,648	121,100,312
Derivative financial assets	19	14,274,178	2,192	14,274,178	2,192
Government securities	20(a)	98,410,872	69,160,647	98,101,038	68,800,726
Government securities at FVTPL	20(b)	4,075,322	7,036,412	4,075,322	7,036,412
Investment in subsidiary	21	-	-	465,670	435,213
Loans and advances to customers	22	262,174,814	305,516,940	262,174,814	305,516,940
Other assets	23	4,415,631	20,588,953	4,249,825	20,422,177
Current income tax recoverable	24	20,010	20,158	-	-
Property and equipment	25	8,671,995	10,748,176	8,659,531	10,746,369
Right of use assets	27	5,392,362	9,728,843	5,392,362	9,728,843
Intangible assets	26	3,043,717	4,035,100	3,043,717	4,035,100
Deferred income tax asset	28	43,233,762	37,068,876	43,114,532	36,960,123
Total assets		**734,629,211**	**814,302,127**	**734,388,535**	**814,079,925**
Liabilities					
Customer deposits	30	606,402,899	673,459,975	606,528,081	673,614,574
Deposits due to other banks	29	1,844,762	1,853,337	1,844,762	1,853,337
Derivative financial instruments	19	13,835,000	1,747	13,835,000	1,747
Other liabilities	31	15,630,313	15,579,767	15,496,454	15,419,139
Lease liability	32	5,810,614	9,307,287	5,810,614	9,307,287
Total liabilities		**643,523,588**	**700,202,113**	**643,514,911**	**700,196,084**
Capital and reserves					
Issued capital	33	96,750,000	96,750,000	96,750,000	96,750,000
Revaluation reserve	34	1,195,445	1,564,041	1,195,445	1,564,041
Credit risk reserve	35	17,374,585	13,835,877	17,374,585	13,835,877
Fair value reserve		-	-	269,969	248,648
Retained earnings		(24,328,809)	1,842,384	(24,716,375)	1,485,275
Equity attributable to owners of the Bank		**90,991,221**	**113,992,302**	**90,873,624**	**113,883,841**
Non-controlling interests		114,402	107,712	-	-
Total equity		**91,105,623**	**114,100,014**	**90,873,625**	**113,883,841**
Total equity and liabilities		**734,629,211**	**814,302,127**	**734,388,535**	**814,079,925**

The Consolidated and separate financial statements were authorised for issue by the Board of Directors on .... 2021 and signed on its behalf by:

Director　　　　　　　　　　Secretary

Director　　　　　　　　　　Director

The notes on pages 18 to 102 form an integral part of these Consolidated and Separate financial statements.

Notes to the Financial statements (Continued)

Consolidated Statement of Changes in Equity

	Issued capital	Revaluation reserve	Credit risk reserve	Retained earnings	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
	Ushs'000 (Note 33)	Ushs'000 (Note 34)	Ushs'000 (Note 35)	Ushs'000	Ushs'000	Ushs'000	Ushs'000
2019							
At start of year as previously stated	96,750,000	1,831,836	-	16,129,514	114,711,350	103,229	114,814,579
Loss for the year	-	-	-	(1,057,666)	(1,057,666)	4,483	(1,053,183)
Total comprehensive income for the year	**96,750,000**	**1,831,836**	-	**15,071,848**	**113,653,684**	**107,712**	**113,761,396**
Transfer of excess depreciation to retained earnings	-	(606,413)	-	606,413	-	-	-
Transfer to credit reserve	-	-	13,835,877	(13,835,877)	-	-	-
Deferred income tax thereon	-	338,618	-	-	338,618	-	338,618
As at 31 December 2019	**96,750,000**	**1,564,041**	**13,835,877**	**1,842,384**	**113,992,302**	**107,712**	**114,100,014**
2020							
At start of year as previously stated	96,750,000	1,564,041	13,835,877	1,842,384	113,992,302	107,712	114,100,014
Loss for the year	-	-	-	(22,662,463)	(22,662,463)	6,690	(22,655,773)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	**96,750,000**	**1,564,041**	**13,835,877**	**(20,820,079)**	**91,329,839**	**114,402**	**91,444,241**
Transfer of excess depreciation to retained earnings	-	(29,978)	-	29,978	-	-	-
Transfer to credit reserve	-	-	3,538,708	(3,538,708)	-	-	-
Deferred income tax thereon	-	(338,618)	-	-	(338,618)	-	(338,618)
As at 31 December 2020	**96,750,000**	**1,195,445**	**17,374,585**	**(24,328,809)**	**90,991,221**	**114,402**	**91,105,623**

The notes on pages 18 to 102 form an integral part of these Consolidated and Separate financial statements

Separate Statement of Changes in Equity

	Issued capital Ushs'000	Revaluation reserve Ushs'000	Credit risk reserve Ushs'000	Retained earnings Ushs'000	Fair Value Adjustments Ushs'000	Total equity Ushs'000
2019						
At start of year as previously stated	96,750,000	1,831,836	-	15,790,335	285,196	114,657,367
Loss for the year	-	-	-	(1,075,596)	-	(1,075,596)
Other comprehensive income	-	-	-	-	(36,548)	(36,548)
Total comprehensive income for the year	**96,750,000**	**1,831,836**	-	**14,714,739**	**248,648**	**113,545,223**
Transfer of excess depreciation to retained earnings	-	(606,413)	-	606,413	-	-
Transfer to credit reserve	-	-	13,835,877	(13,835,877)	-	-
Deferred income tax thereon	-	338,618	-	-	-	338,618
As at 31 December 2019	**96,750,000**	**1,564,041**	**13,835,877**	**1,485,275**	**248,648**	**113,883,841**
2020						
At start of year as previously stated	96,750,000	1,564,041	13,835,877	1,485,275	248,648	113,883,841
Loss for the year	-	-	-	(22,692,920)	-	(22,692,920)
Other comprehensive income (note 20)	-	-	-	-	30,457	30,457
Total comprehensive income for the year	**96,750,000**	**1,564,041**	**13,835,877**	**(21,207,645)**	**279,105**	**91,221,378**
Transfer of excess depreciation to retained earnings	-	(29,978)	-	29,978	-	-
Transfer to credit reserve	-	-	3,538,708	(3,538,708)	-	-
Deferred income tax thereon	-	(338,618)	-	-	(9,136)	(347,754)
As at 31 December 2020	**96,750,000**	**1,195,445**	**17,374,585**	**(24,716,375)**	**269,969**	**90,873,624**

The notes on pages 18 to 102 form an integral part of these Consolidated and Separate financial statements

Consolidated and Separate Statements of Cash Flows

		Consolidated		Separate	
		2020	2019	2020	2019
	Note	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Operating activities					
Loss before income tax		(26,858,495)	(9,566,649)	(26,902,253)	(9,595,175)
Adjustments:					
Depreciation of property and equipment	25	3,124,145	3,621,221	3,122,800	3,620,448
Amortisation of intangible assets	26	2,344,324	2,681,168	2,344,324	2,681,168
Depreciation of Right of use asset	27	2,395,968	3,010,727	2,395,968	3,010,727
Interest exp - leases	7	636,312	894,690	636,312	894,690
Loss on disposal of property and equipment	8(b)	263,956	(62,171)	263,956	(62,171)
Profit before changes in operating assets and liabilities		**(18,093,790)**	**578,986**	**(18,138,893)**	**549,687**
Changes in:					
Decrease in cash reserve requirement	16	5,920,000	(7,240,000)	5,920,000	(7,240,000)
(Decrease)/increase in deposits due from banking institutions		(13,502,646)	(20,398,046)	(13,502,646)	(20,398,617)
(Decrease)/increase in deposits due to banking institutions		(8,575)	-	(8,575)	-
Decrease in derivative financial assets		(14,271,986)	(556,308)	(14,271,986)	(556,308)
Decrease in derivative financial liabilities		13,833,253	(497)	13,833,253	(497)
Decrease in loans and advances		43,342,127	23,513,772	43,342,127	23,513,772
(Increase) in investment in government securities		(24,989,133)	(6,019,512)	(24,586,157)	(6,069,601)
(Decrease)/increase in other assets		16,093,220	21,399,288	15,692,525	21,436,425
(Decrease)/increase in customer deposits		(67,086,493)	55,535,557	(67,086,493)	55,535,557
Increase in other liabilities		77,314	(38,404)	77,314	(63,116)
		(58,686,709)	**66,774,836**	**(58,729,531)**	**66,707,302**
Interest Paid	13	-	(895,135)	-	(895,135)
Income taxes paid	24	(1,820,022)	(2,344,461)	(1,812,997)	(2,339,289)
Net cash flows generated from operating activities		**(60,506,731)**	**63,535,240**	**(60,542,528)**	**63,472,878**
Financing activities					
Payment of lease liabilities		(2,192,472)	9,307,287	(2,192,472)	9,307,287
Net cash flows used in financing activities		**(2,192,472)**	**9,307,287**	**(2,192,472)**	**9,307,287**
Investing activities					
Purchase of property and equipment	25	(1,585,241)	(941,712)	(1,572,464)	(928,935)
Proceeds from sale of property and equipment		272,542	74,483	272,542	74,483
Purchase of intangible assets	26	(1,352,942)	(1,336,370)	(1,352,942)	(1,336,370)
Net cash flows used in investing activities		**(2,665,641)**	**(2,203,599)**	**(2,652,864)**	**(2,190,822)**
Net increase/(decrease) in cash and cash equivalents		**(65,364,844)**	**70,638,928**	**(65,387,864)**	**70,589,343**
Cash and cash equivalents at start of year		294,174,556	223,585,213	294,019,957	223,430,614
Cash and cash equivalents at the end of the year	17	**228,809,712**	**294,224,141**	**228,632,093**	**294,019,957**

The notes on pages 18 to 102 form an integral part of these Consolidated and Separate financial statements

Notes to the Financial Statements

1. General information

Orient Bank Limited (the 'Bank') and its subsidiary Equity Stock Brokers Limited, (together the Consolidated) are incorporated in Uganda under the Companies Act as a limited liability company, and is domiciled in Uganda. The address of its registered office is:

Plot 6 & 6A, Kampala Road
P O Box 3072
Kampala

The Bank is licensed and regulated by Bank of Uganda under the Financial Institutions Act 2004 as amended by the FIA 2016. For the Companies Act of Uganda, 2012 reporting purposes, the balance sheet is represented by the consolidated and separate statement of financial position and the profit and loss account by the statement of comprehensive income in these consolidated and separate financial statements.

The financial statements for the year ended 31 December 2020 have been approved for issue by the Board of Directors.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of Compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards.

2.2 Basis of preparation

The consolidated and separate financial statements have been prepared on a historical cost basis, except the following;

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value.

Notes to the Financial statements (Continued)

2. Summary of significant accounting policies (Continued)

2.2 Basis of preparation (Continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.3 Basis of consolidation

The consolidated and separate financial statements comprise the financial statements of Orient Bank Limited and its subsidiary, Equity Stock Brokers Limited, made up to 31 December 2020. Control is achieved when the Bank;

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Consolidated loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control. Given the level of judgement required regarding consolidation of structured entities, these considerations are described further in the Critical accounting estimates and judgements in Note 4. Disclosures for investment in subsidiaries are provided in Note 20.

Non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Notes to the Financial Statements (Continued)

2.4 Changes in accounting policy and disclosures

Application of Revised International Financial Reporting Standards (IFRS's)

(i) New standards, amendments and interpretations issued and adopted by the Bank

The following new or revised standards, amendments and interpretations are effective for the year ended 31 December 2020 and have been applied in preparing these financial statements where applicable.

The Bank did not early adopt any standards or amendments.

Definition of a business IFRS 3 Business Combinations - amendment (1 January 2020 with earlier application permitted)

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS3.

In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.

Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

The amendment is not expected to have a significant impact on the financial statements of the Bank.

Definition of Materiality (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The amendment is not expected to have a significant impact on the financial statements of the Bank.

Notes to the Financial Statements (Continued)

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

The amendment is not expected to have a significant impact on the financial statements of the Bank.

Interest rate Benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The amendments are effective from 1 January 2020. Early application is permitted.

The amendment is not expected to have a significant impact on the financial statements of the Bank.

(ii) New and amended standards and interpretations issued but not yet effective

The following new International Financial Reporting Standards together with their Interpretations had been published at the date of preparation of the accompanying Financial Statements, but are not mandatory as of December 31, 2020. Although in some cases the International Accounting Standards Board ("IASB") allows early adoption before their effective date, the Bank has not proceeded with this option for any such new standards.

IFRS 16 –Leases – COVID-19 modifications

On May 28, 2020, the IASB issued an amendment to IFRS 16 to provide a practical relief for lessees in accounting treatment for rent concessions that occur due to COVID-19 with effective date from June 1, 2020.

In the light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board provided an optional practical expedient for lessees.

Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

Notes to the Financial Statements (Continued)
IFRS 16 –Leases – COVID-19 modifications (Continued)

Rent concessions are eligible for practical expedient if they occur as a direct consequence of COVID-19 pandemic and if all of the following criteria are met;

- the change in lease payments result in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- any reduction in lease payments affects only payments originally due on or before 30th June, 2021; and
- there is no substantive change to the other terms and conditions of the lease.
- The amendment is not expected to have a significant impact on the Financial Statements of the Bank.

IFRS 17 Insurance Contracts

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The Bank is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted.

The amendment is not expected to have any impact on the financial statements of the Bank.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current; (Effective for annual periods beginning on after 1 January 2022)

The amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

These amendments had no impact on the financial statements of the Bank.

Notes to the Financial Statements (Continued)

2.5.1 Recognition of Financial Instruments

a. A financial asset or a financial liability is recognized in the statement of financial position when the Bank becomes party to the contractual provisions of the instrument.

b. At initial recognition, the Bank measures a financial asset or a financial liability at its fair value, plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

2.5.2 Classification of Financial Instruments

2.5.2.1 Financial Assets

a. On first recognition, a financial asset is classified based on the Bank's business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

i. **Amortised cost**—a financial asset is measured at amortised cost if both of the following conditions are met:

1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. **Fair value through other comprehensive income**—financial assets is classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

iii. **Fair value through profit or loss**—any financial assets that are not held in one of the two business models mentioned is measured at fair value through profit or loss.

b. Orient Bank reclassifies all affected financial assets when, and only when, it changes its business model for managing financial assets.

2.5.2.2 Financial Liabilities

a. All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that an entity designates to be measured at fair value through profit or loss.

b. After initial recognition, the Bank does not reclassify any financial liability.

2.5.2.3 Fair Value Option

a. The Bank, at initial recognition, irrevocably designates a financial asset or liability that would otherwise have to be measured at amortised cost or fair value through other comprehensive income to be measured at fair value through profit or loss if doing so would eliminate or significantly reduce a measurement or recognition inconsistency (or an 'accounting mismatch') or otherwise results in more relevant information.

b. The irrevocable designation referred to table 3.3.5 below is approved by management ALCO.

Notes to the Financial Statements (Continued)

2.5.3 Impairment Assessment of Financial Instruments

Policy Statements

a. Orient Bank operates an impairment model that will form the basis for determination of a loss allowance for expected credit losses on all relevant financial instruments.

b. The expected credit loss (ECL) amount is determined on a probability-weighted basis as the difference between the cash flows that are due to the bank in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive.

c. The impairment model applies to all of the following financial instruments:
i. Financial assets measured at amortised cost;
ii. Financial assets mandatorily measured at FVTOCI;
iii. Loan commitments when there is a present obligation to extend credit (except where these are measured at FVTPL);
iv. Financial guarantee contracts to which IFRS 9 is applied (except those measured at FVTPL); and
v. Lease receivables within the scope of IAS 17 Leases and subsequently IFRS 16.

d. The Bank assesses a loss allowance for all financial instruments **at each reporting date**, and accordingly applies and discloses the loss allowance in the relevant sections of its financial statements.

2.5.4 The impairment assessment model

a. Recognition of expected credit losses (ECLs).
b. The Bank measures a loss allowance for a financial instrument at an amount equal to the 12-month or lifetime expected credit losses depending on whether or not the credit risk on that financial instrument has increased significantly since initial recognition.

2.5.5 Time Horizons for Computation of ECLs

a. ECLs are measured based on the risk of default over one of two different time horizons, depending on whether the credit risk of the borrower has increased significantly since the exposure was first recognised. The assessment of significant increase in credit risk is explained below.
b. The loss allowance for those exposures that have not increased significantly in credit risk ('stage 1' exposures) shall be based on 12-month ECLs. The allowance for those exposures that have suffered a significant increase in credit risk ('stage 2' and 'stage 3' exposures) is based on lifetime ECLs as defined below.

Notes to the Financial Statements (Continued)

2.5 Financial Instruments (Continued)

12-month expected credit losses

a. 12-month ECLs are the portion of the lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months). 12-month ECLs shall be weighted by the probability of such a default occurring.

Lifetime expected credit losses

b. Lifetime ECLs are the losses that result from all possible default events over the expected life of the financial instrument.

c. With the exception of purchased or originated credit-impaired financial assets, the loss allowance for financial instruments is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition, unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition.

2.5.6 Significant Increase in Credit Risk

a. Credit risk is considered low if there is a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.
b. The assessment of whether there has been a significant increase in credit risk is based on increase in the probability of a default occurring since initial recognition and shall consider both the qualitative and quantitative factors including:

Quantitative factors may include:

i. When contractual payments are more than 30 days past due – except where there is verifiable evidence that credit risk has not increased since initial recognition.

Qualitative factors may include:

ii. When a credit facility has been maintained on Alert category (in line with the Credit Policy) for over 6 months;
iii. An actual or expected significant change in the financial instrument's external credit rating;
iv. An actual or expected internal credit rating downgrade for the borrower;
v. Existing or forecast changes in in business, financial or economic conditions that may cause significant change in the borrower's ability to meet debt obligations;
vi. Actual or expected significant change in operating results of the borrower;
vii. Significant increase in credit risk on other financial instruments of the same borrower; and
viii. Significant changes in regulatory or technological environment of the borrower that may affect their ability to meet debt obligations.

Notes to the Financial Statements (Continued)

2.5 Financial Instruments (Continued)

2.5.7 Individual vs Collective Assessment of Loss Allowance

a. The Bank measures ECLs on individually large exposures and credit-impaired loans on an individual basis. Where less borrower-specific information is available, ECLs are measured on a collective basis.
b. In order to measure a loss allowance on a collective basis, the Bank groups its exposures into segments on the basis of shared credit risk characteristics, including: geographical region, type of customer (such as wholesale or retail), industry, product type, customer rating, date of initial recognition, term to maturity, the quality of collateral and the loan to value (LTV) ratio.
c. The Bank on an annual basis, performs procedures to ensure that the groups of exposures used in collective assessment of ECLs continue to share credit characteristics, and to re-segment the portfolio when necessary, in the light of changes in credit characteristics over time.

2.5.8 Probability of Default (PD)

a. Management determines and applies a probability of default (PD) for each financial instrument that reflects an unbiased current view of the future free of any conservatism or optimism. The PD shall be of two types as follows:

i. The 12-month PD is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months); this is used to calculate 12-month ECLs for stage 1 exposures;

ii. The Lifetime PDs is the estimated probability of a default occurring over the remaining life of the financial instrument, and is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures.

b. The Bank uses 4-year historical data to arrive at the 12-month and life-time PDs for the different segments/categories of the applicable financial instruments. This is achieved through analysing the movement of exposures between different risk buckets over time.

c. In forecasting the PDs based on the historical trends, the Bank incorporates forecast economic conditions and factors including GDP growth rates, inflation, and the Central Bank rate (CBR).

d. For loans advances, the Bank determines PDs for the following segments: overdrafts; mortgages; unsecured and short-term loans; VAF loans; and staff loans.

e. In determining the probability of default for credit facilities, management takes into account all known factors and signs of potential default as highlighted in the Bank's Credit policy.

2.5.9 Exposure at Default (EAD)

In determining the EAD particularly for stage 2 exposures, the Bank considers the expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, including:

i. Required repayments/ amortisation schedule
ii. Full early repayment (e.g. early refinancing)
iii. Monthly overpayments (i.e. payments over and above required repayments but not for the full amount of the loan)
iv. Changes in utilisation of an undrawn commitment within agreed credit limits in advance of default
v. Credit mitigation actions that can be taken prior to default

Notes to the Financial Statements (Continued)

2.5 Financial Instruments (Continued)

2.5.10 Loss Given Default (LGD)

a. In arriving at the LGD for secured exposures, the Bank considers the following factors:
   i. forecasts of future collateral valuations, including expected sale discounts;
   ii. time to realisation of collateral (and other recoveries);
   iii. allocation of collateral across exposures where there are a number of exposures to the same counterparty (cross-collateralisation); and
   iv. External costs of realisation of collateral.

b. For unsecured exposures, the Bank determines the recovery rate of written off facilities over a three-year period in order to determine the LGD.

c. Collateral values for secured exposures reflect the amount and timing of cash flows expected from foreclosure irrespective of whether foreclosure is probable.

2.5.11 Discount Rate

a. To reflect time value, expected losses are discounted to the reporting date using the effective interest rate of the asset (or an approximation thereof) that was determined at initial recognition.

b. A "credit-adjusted effective interest" rate is used for expected credit losses of purchased or originated credit-impaired financial assets.

c. Expected credit losses of undrawn loan commitments are discounted by using the effective interest rate (or an approximation thereof) that will be applied when recognising the financial asset resulting from the commitment. If the effective interest rate of a loan commitment cannot be determined, the discount rate reflects the current market assessment of time value of money and the risks that are specific to the cash flows but only if, and to the extent that, such risks are not taken into account by adjusting the discount rate. This approach is also used to discount expected credit losses of financial guarantee contracts.

2.5.12 Credit-Impaired Financial Asset

A financial asset is considered credit-impaired when one or more of the following events that have a significant impact on the expected future cash flows of the financial asset have occurred to the holder of a financial asset:

i. Significant financial difficulty of the issuer or borrower;
ii. A breach of contract, such as a default or past-due event for over 90 days;
iii. The lenders for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered;
iv. It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
v. The disappearance of an active market for the financial asset because of financial difficulties; or
vi. The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

Notes to the Financial Statements (Continued)

2.5 Financial Instruments (Continued)

Summary of the three-stage impairment assessment model

Parameter	Stage 1	Stage 2	Stage 3
Portfolio classification:	Performing	Under-performing	Non-performing
Timing or trigger:	Initial recognition	Significant increase in credit risk	Credit impaired asset
ECL calculation:	12-month	Lifetime	Lifetime
Basis of revenue recognition:	EIR on carrying amount	EIR on gross carrying amount	EIR on amortised cost

EIR = Effective interest rate

2.5.13 Presentation

The impairment losses, including reversals of impairment losses and impairment gains (in the case of purchased or originated credit-impaired financial assets), are presented in a separate line item in the statement of profit or loss and other comprehensive income.

2.6 Foreign currency translation

a) Functional and presentation currency

Items included in the consolidated and separate's financial statements are items/transactions measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated and separate financial statements are presented in Uganda shillings and figures are stated in thousands of Uganda shillings.

b) Transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is measured. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Non–monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

2.7 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Notes to the Financial Statements (Continued)

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months` maturity from the date of acquisition, including cash with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and government securities. Cash and cash equivalent exclude the cash reserve requirement held with the Bank of Uganda.

2.10 Property and equipment

Property and equipment comprise mainly office equipment, computer hardware, furniture & fittings and leasehold land. All equipment and land used by the Bank is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only 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. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Buildings are measured at fair value and in case for the building, less accumulated depreciation and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer between retained earnings and revaluation reserves is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Notes to the Financial Statements (Continued)
2.10 Property and equipment (Continued)

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.
Depreciation of assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

▪ Buildings	7%
▪ Leasehold improvements	Shorter of useful lives and lease terms
▪ Furniture, Fixtures, Strong room & Safes	12.5%
▪ Office Equipment	20.0%
▪ Motor vehicles	25.0%
▪ Computer Equipment, ATM, POS & SWIFT	33.3%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the statement of profit or loss in the year the asset is derecognised. Detailed disclosures are provided in Note 24.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other operating expenses' in profit or loss."

The bank assesses the fair value of the buildings at the end of each reporting period to determine the frequency of revaluation. If the difference between the fair value of the buildings and their respective carrying amounts is insignificant, the buildings will be revalued every five years.

2.11 Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;

2.11 Intangible assets

- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Notes to the Financial Statements (Continued)
2.11 Intangible assets (Continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.
Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the expected useful lives. Software has a maximum expected useful life of 5 years.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2.12 Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group's assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

Notes to the Financial Statements (Continued)
2.13 Employee benefits

a) Pension obligations
The Bank operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Bank has a defined contribution scheme.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations 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.
For defined contribution plans, the Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Retirement benefit obligations
The Consolidated contributes to the statutory National Social Security Fund (NSSF) on behalf of its employees. This is a defined contribution scheme registered under the NSSF Act. The group's obligations under the scheme are specific contributions legislated from time to time and are currently limited to 10% of the respective employees' salaries.
The group's contributions are charged to the profit or loss in the year in which they relate.

2.14 Provisions

Provisions for restructuring costs and legal claims are recognised when: The Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.
Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Notes to the Financial Statements (Continued)

2.15 Income tax

a) Current income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred income tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Consolidated expects at the end of the reporting period to recover to settle the carrying amounts of its assets and liabilities.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value re-measurement of available-for-sale assets, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Bank's intention to settle on a net basis.

Notes to the Financial Statements (Continued)

2.16 Dividend payable

Dividends on ordinary shares are charged to equity in the period in which they are declared.

2.17 Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

2.18 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in profit or loss using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a Consolidated of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.19.1 Calculation of Interest Revenue

Interest revenue is calculated based on the status of the asset with regard to credit classification as follows:

a. In the case of a financial asset that is not a purchased or originated credit-impaired financial asset and for which there is no objective evidence of impairment at the reporting date, interest revenue is calculated by applying the effective interest rate method to the gross carrying amount.
b. In the case of a financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired, interest revenue shall be calculated by applying the effective interest rate to the amortised cost balance, which comprises the gross carrying amount adjusted for any loss allowance.
c. In the case of purchased or originated credit-impaired financial assets, interest revenue shall be recognised by applying the credit-adjusted effective interest rate to the amortised cost carrying amount. The credit-adjusted effective interest rate is the rate that discounts the cash flows expected on initial recognition (explicitly taking account of expected credit losses as well as contractual terms of the instrument) back to the amortised cost at initial recognition.

Notes to the Financial Statements (Continued)

2.20 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2.21 Dividend income

Dividends are recognised in profit or loss when the Bank's right to receive payment is established.

2.22 Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

2.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to other Banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other facilities.
Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial investment, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the statement of financial position date.

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

Comparative figures
Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

Notes to the Financial Statements (Continued)

3. Financial risk management

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Financial Risk Management is overseen by the Risk Department and carried out primarily by the Credit and Treasury Departments. Bank Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's 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 financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.
The risks arising from financial instruments to which the Bank is exposed are financial risks, which includes credit risk, liquidity risk and market risk.

3.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which provides reports to the Management and Board Credit Committees

3.1.1 Credit risk measurement

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Bank has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Bank considers three components: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee) and are embedded in the Bank's daily operational management.

Notes to the Financial Statements (Continued)
3.1 Credit risk (Continued)

The Bank's internal ratings scale and mapping of external ratings as supplemented by the Bank's own assessment through the use of internal rating tools are as follows:

Normal	Items that are fully current and the full repayment of the contractual principal and interest amounts are expected.
Watch	Items for which the borrower is experiencing difficulties. Ultimate loss is not expected but could occur if adverse conditions persist.
Substandard	Items that show underlying well defined weaknesses that could lead to probable loss if not corrected. The risk that these items may be impaired is probable and the Bank relies to a large extent on the available security.
Doubtful Items	Items that are considered to be impaired, but are not yet considered final losses because of pending factors, which may strengthen the quality of the items.
Loss	Items that are considered to be uncollectible and where the realization of collateral and institution of legal proceedings have been unsuccessful. These items are considered of such little value that they should no longer be included in the net assets of the Bank.

Inputs, Assumptions and techniques for estimating impairment

The bank has revised its economic forecasts used as an input into ECL as at 31 December 2020 down from 2019 based on revised forecasts from reference agency (Bank of Uganda).

The Bank's base case, optimistic and pessimistic scenario model assume economic out turn based on the forecasts of the Macro economic variables of GDP, Inflation, Un-employment and CBR. The ECL are sensitive to judgements and assumptions made regarding formulation of forward looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on the watch and Non-performing assets (NPA) classes of its assets.

COVID-19 Considerations
The novel coronavirus (COVID -19) pandemic has introduced unprecedented challenges to global health and economic conditions. Globally, the consequences of the pandemic have varied from loss of human life to a slowdown in growth leading to significant value erosion in the global financial markets.

On 30 March 2020, the Government of Uganda instituted a lockdown and various other restrictions relating to movement of both customers and staff. This had an unprecedented impact which includes but is not limited to:

- Supply chain disruptions
- Cash flow constraints
- Strategic Project executions (Halting of projects)
- Heightened operational risk environment

In the midst of this great challenge, protecting the health and well-being of our staff, clients and other key stakeholders is at the centre of our pandemic response plan which includes;

- Adoption Standard Operating Procedures (SOPs) designed to ensure precautionary measures are in place and are consistent with protocols from World Health Organisation and the Government of Uganda.
- A work from home policy for some staff
- Restructuring of credit facilities as per the COVID-19 Relief Guidelines issued by Bank of Uganda on 24 March 2020.

We continue to test and activate our business continuity plans (BCP) to ensure continued support to key stakeholders to present a sustainable service offering.

Notes to the Financial Statements (Continued)

Modified financial Assets

Existing contractual arrangements as at 31st March 2020 have been modified as a result of government assistance programmes (Covid-19 Relief guidelines – Bank of Uganda) as per the table below. The Bank has updated its credit policy to reflect the treatment for such changes and have applied judgement in assessing whether the modification is determined to be substantial. In light of the above, the Bank has performed the following:

- The Bank de-recognised the existing loans and booked new facilities with amended terms.
- Principal and interest payments of modified contracts remained within original limits, with an adjustment to the tenor of the facilities.
- Interest rates remained range bound to original contract rates resulting into immaterial modification losses (if any).
- Modifications are assessed for significant increase in credit risk based on prior, current and future expectations of the facility, in addition to the sector performance of the facility.

Sector	Ushs'000
Building, Construction and Real Estates	37,592,785
Community, social and other Services	1,315,007
Manufacturing	9,038,018
Personal & household loans	1,202,334
Trade & Commerce	41,639,615
Transport and Communication	3,150,849
Total	**93,938,608**

3.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries.
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 groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers 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.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.
Some other specific control and mitigation measures are outlined below:

Notes to the Financial Statements (Continued)
3.1.2 Risk limit control and mitigation policies (Continued)

a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for loans and advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over financial instruments such as debt securities and equities.

Collateral held and other credit enhancements

The Consolidated holds collateral and other credit enhancements to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are regularly updated through the life of the credit facility. Collateral requirements are based on the individual risk rating of borrowers as stipulated in the Bank's policy

The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	**Percentage**		**Principal type of collateral held**
	31-Dec 2020	**31-Dec 2019**	
Derivative assets held for risk management	100%	100%	Cash
Loans and advances to retail customers			
Secured	53%	38%	
Unsecured	47%	62%	
Loans and advances to corporate customers			
Secured	70%	91%	
Unsecured	30%	9%	

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument.

The table below shows the collateral coverage for secured loans as at year-end. The type of collateral held includes land titles and buildings mainly.

Consolidated and separate

As at 31 December 2020	**Total loan portfolio Ushs '000**	**Netting off agreements (cash secured) Ushs '000**	**Collateral less than 100% Ushs '000**	**Collateral over 100% Ushs '000**
Gross loans and advances	284,123,820	2,686,866	192,731,480	88,705,474
Total	**284,123,820**	**2,686,866**	**192,731,480**	**88,705,474**

As at 31 December 2019

	Total loan portfolio Ushs '000	**Netting off agreements (cash secured) Ushs '000**	**Collateral less than 100% Ushs '000**	**Collateral over 100% Ushs '000**
Gross loans and advances	321,716,415	42,692,160	182,779,626	96,244,629
Total	**321,716,415**	**42,692,160**	**182,779,626**	**96,244,629**

Notes to the Financial Statements (Continued)

3.1 Credit risk (Continued)

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

b) Lending limits (for derivatives and loan books)

The Bank maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expect future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding.

3.1.2 Risk limit control and mitigation policies (Continued)

This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

c) Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities of the statement of financial position, as transactions are either usually settled on a gross basis or under most netting agreements the right of set off is triggered only on default. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

d) Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit 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 authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations 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 (often referred to as financial covenants).

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.

Notes to the Financial Statements (Continued)

3.1.3 Credit exposure

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Consolidated and separate

	2020			
	Stage 1 (12-month ECL)	**Stage 2 (Lifetime ECL)**	**Stage 3 (Lifetime ECL)**	**Total**
Loans and advances to customers at amortised cost				
	Ushs '000	**Ushs '000**	**Ushs '000**	**Ushs '000**
Grade 1: Normal	160,636,266	41,313,131	54,729,906	256,679,303
Grade 2: Watch	1,970,227	-	-	1,970,227
Grade 3: Substandard	477,576	411,728	12,863	902,167
Grade 4: Doubtful	651,433	-	-	651,433
Grade 5: Loss	7,491,663	1,812,789	14,616,238	23,920,690
Total gross carrying amount	**171,227,165**	**43,537,648**	**69,359,007**	**284,123,820**
Loss allowance	160,636,266	(89,868)	(21,691,154)	(21,949,006)
Carrying amount	**1,970,227**	**43,447,780**	**47,667,853**	**262,174,814**

	2019			
	Stage 1 (12-month ECL)	**Stage 2 (Lifetime ECL)**	**Stage 3 (Lifetime ECL)**	**Total**
Loans and advances to customers at amortised cost				
	Ushs '000	**Ushs '000**	**Ushs '000**	**Ushs '000**
Grade 1: Normal	237,598,804	9,256,020	19,835,997	266,690,821
Grade 2: Watch	-	14,833,932	-	14,833,932
Grade 3: Substandard	-	-	28,070,715	28,070,715
Grade 4: Doubtful	-	-	2,209,850	2,209,850
Grade 5: Loss	-	-	9,911,096	9,911,096
Total gross carrying amount	**237,598,804**	**24,089,952**	**60,027,658**	**321,716,414**
Loss allowance	(238,949)	(1,618,282)	(14,342,244)	(16,199,475)
Carrying amount	**237,359,855**	**22,471,670**	**45,685,414**	**305,516,939**

Notes to the Financial statements (Continued)

3.1.4 Concentration of risks of financial assets with credit risk exposure

At 31 December 2020	**Financial institutions**	**Manufacturing**	**Real estate**	**Whole-sale and retail trade**	**Others**	**Total**
Consolidated	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Balances with the Central Bank	200,039,89	8	-	-	-	-
Deposits and balances due from banking institutions	90,797,648	-	-	-	-	90,797,648
Loans and advances to customers	-	39,918,128	49,544,131	88,376,160	106,285,401	284,123,820
Government securities at Amortised cost	98,101,037	-	-	-	-	98,101,037
Government securities at FVTPL	4,075,322	-	-	-	-	4,075,322
Other assets	-	-	-	-	4,249,827	4,249,827
	393,013,905	**39,918,128**	**49,544,131**	**88,376,160**	**110,535,228**	**681,387,552**

Credit risk exposures relating to off-balance sheet items are as follows:

LCs, Guarantees and performance bonds	-	1,475,660	24,382,372	7,492,607	15,157,522	48,508,161
Loan commitments and other credit related obligations	-	4,009,530	1,214,860	9,649,666	18,025,100	32,899,156
	-	**5,485,190**	**25,597,232**	**17,142,273**	**33,182,622**	**81,407,317**

Notes to the Financial Statements (Continued)
Concentration of risks of financial assets with credit risk exposure (Continued)

At 31 December 2019	Financial institutions	Manufacturing	Real estate	Whole-sale and retail trade	Others	Total
Consolidated	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Balances with the Central Bank	195,001,051	-	-	-	-	195,001,051
Deposits and balances due from banking institutions	121,100,312	-	-	-	-	121,100,312
Loans and advances to customers	-	41,851,154	49,834,735	98,221,761	115,609,290	305,516,940
Government securities at Amortised cost	68,800,726	-	-	-	-	68,800,726
Government securities at FVTPL	7,036,412	-	-	-	-	7,036,412
Other assets	-	-	-	-	18,062,844	18,062,844
	391,938,501	**41,851,154**	**49,834,735**	**98,221,761**	**133,672,134**	**715,518,285**

Credit risk exposures relating to off-balance sheet items are as follows:

LCs, Guarantees and performance bonds	-	3,068,650	45,522,141	10,525,000	12,974,580	72,090,371
Loan commitments and other credit related obligations	-	4,634,674	3,039,724	7,098,695	16,044,672	30,817,765
	-	**7,703,324**	**48,561,865**	**17,623 ,695**	**29,019,252**	**102,908,136**

Notes to the Financial Statements (Continued)
Concentration of risks of financial assets with credit risk exposure (Continued)

Separate	**Financial institutions**	**Manufacturing**	**Real estate**	**Whole-sale and retail trade**	**Others**	**Total**
At 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Balances with the Central Bank	200,039,895	-	-	-	-	200,039,899
Deposits and balances due from banking institutions	90,797,648	-	-	-	-	90,797,648
Loans and advances to customers	-	39,918,128	49,544,131	88,376,160	106,285,401	284,123,820
Government securities at Amortised cost	98,101,037	-	-	-	-	98,101,037
Government securities at FVTPL	4,075,322	-	-	-	-	4,075,322
Other assets	-	-	-	-	4,249,827	4,249,827
	393,013,902	**39,918,128**	**49,544,131**	**88,376,160**	**110,535,228**	**681,387,549**

Credit risk exposures relating to off-balance sheet items are as follows:

LCs, Guarantees and performance bonds	-	1,475,660	24,382,372	7,492,607	15,157,522	48,508,161
Loan commitments and other credit related obligations	-	4,009,530	1,214,860	9,649,666	18,025,100	32,899,156
	-	**5,485,190**	**25,597,232**	**17,142,273**	**33,182,622**	**81,407,317**

Notes to the Financial Statements (Continued)
Concentration of risks of financial assets with credit risk exposure (Continued)

Separate	**Financial institutions**	**Manufacturing**	**Real estate**	**Whole-sale and retail trade**	**Others**	**Total**
At 31 December 2019	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Balances with the Central Bank	195,001,051	-	-	-	-	195,001,051
Deposits and balances due from banking institutions	121,100,312	-	-	-	-	121,100,312
Loans and advances to customers	-	41,851,154	49,834,735	98,221,761	115,609,290	305,516,940
Government securities at Amortised cost	68,800,726	-	-	-	-	68,800,726
Government securities at FVTPL	7,036,412	-	-	-	-	7,036,412
Other assets	-	-	-	-	18,062,844	18,062,844
	391,938,501	41,851,154	49,834,735	98,221,761	133,672,134	715,518,285

Credit risk exposures relating to off-balance sheet items are as follows:

LCs, Guarantees and performance bonds	-	3,068,650	45,522,141	10,525,000	12,974,580	72,090,371
Loan commitments and other credit related obligations	-	4,634,674	3,039,724	7,098,695	16,044,672	30,817,765
	-	**7,703,324**	**48,561,865**	**17,623,696**	**29,019,252**	**102,908,136**

Notes to the Financial statements (Continued)

3.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Bank Treasury and monitored by two teams separately. Regular reports are submitted to the Management ALCO and Board ALCO Committees and the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale financial assets.

3.2.1 Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Bank Treasury is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

a) Value at risk

The Bank applies a 'value at risk' (VAR) methodology to its trading and non-trading portfolios to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for the Bank, which are monitored on a daily basis by Bank Treasury. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis (Note 3.2.3).

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (98%). There is therefore a specified statistical probability (2%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (10 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 10-day periods in the past. The Bank's assessment of past movements is based on data for the past five years. The Bank applies these historical changes in rates, prices, indices, etc. directly to its current positions – a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VAR constitutes an integral part of the Bank's market risk control regime, VAR limits are established by the Board annually for all trading portfolio operations and allocated to business units. Actual exposure against limits, together with a Bank-wide VAR, is reviewed daily by Bank Treasury. The quality of the VAR model is continuously monitored by back-testing the VAR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated, and all back-testing results are reported to the Board of Directors.

Notes to the Financial Statements (Continued)
3.2 Market risk (Continued)

b) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Bank Treasury include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions or sectors, or to the Bank's top 5 borrowers

The results of the stress tests are reviewed by senior management in each business unit and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

3.2.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign exchange risk at 31 December 2020. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Consolidated	**USD**	**EUR**	**GBP**	**Other Currencies**	**Total**
At 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Assets					
Cash and balances with Central Bank	128,304,934	3,228,841	792,605	40,432	132,366,812
Deposits and balances due from banking institutions	48,871,263	4,983,288	2,937,822	165,148	56,957,521
Derivative financial instruments	14,274,178	-	-	-	14,274,178
Investment in subsidiary	-	-	-	-	-
Loans and advances to customers	163,198,119	-	-	-	163,198,119
Other assets	532,811	(305)	(261)	-	532,245
Total financial assets	**355,181,305**	**8,211,824**	**3,730,166**	**205,580**	**367,328,875**
Liabilities					
Deposits due to other banks	-	-	-	-	-
Derivative financial instruments	13,835,000	-	-	-	13,835,000
Customer deposits	335,797,948	8,145,513	-	3,656,660	347,600,121
Other liabilities	4,276,043	6,532	-	11,471	4,294,046
Total financial liabilities	**353,908,991**	**8,152,045**	-	**3,668,131**	**365,729,167**
Net on-balance sheet financial position	1,272,314	59,779	3,730,166	(3,462,551)	1,599,708
Credit commitments	**20,356,143**	-	-	-	**20,356,143**

Notes to the Financial Statements (Continued)
3.2.2 Foreign exchange risk (Continued)

Consolidated	USD	EUR	GBP	Other Currencies	Total
At 31 December 2019	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Assets					
Cash and balances with the Central Bank	152,312,118	1,441,768	4,032,090	135,460	157,921,436
Deposits and balances due from banking institutions	54,263,372	2,823,437	1,791,391	136,333	59,014,533
Derivative financial instruments	2,192	-	-	-	2,192
Investment in subsidiary	-	-	-	-	-
Loans and advances to customers	180,468,222	-	285	-	180,468,507
Other assets	11,621,883	32,119	29,806	64,675	11,748,483
Total financial assets	**398,667,787**	**4,297,324**	**5,853,572**	**336 ,468**	**409,155,151**
Liabilities					
Deposits from banks	-	-	-	-	-
Derivative financial instruments	1,747	-	-	-	1,747
Deposits from customers	390,790,002	4,485,551	5,748,140	199	401,023,892
Refinance loans	-	-	-	-	-
Other liabilities	-	-	-	6,347,766	6,347,766
Total financial liabilities	**390,791,749**	**4,485,551**	**5,748,140**	**6,347,965**	**407,373,405**
Net on-balance sheet financial position	7,876,038	(188,227)	105,432	(6,011,498)	1,781,746
Credit commitments	17,378,625	-	-	-	17,378,625

Notes to the Financial Statements (Continued)

3.2.2 Foreign exchange risk (Continued)

Separate	**USD**	**EUR**	**GBP**	**Other Currencies**	**Total**
At 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Assets					
Cash and balances with Central Bank	128,304,934	3,228,841	792,605	40,432	132,366,812
Deposits and balances due from banking institutions	48,871,263	4,983,288	2,937,822	165,148	56,957,521
Derivative financial instruments	14,274,178	-	-	-	14,274,178
Investment in subsidiary	-	-	-	-	-
Loans and advances to customers	163,198,119	-	-	-	163,198,119
Other assets	532,811	(305)	(261)	-	532,245
Total financial assets	**355,181,305**	**8,211,824**	**3,730,166**	**205,580**	**367,328,875**
Liabilities					
Deposits due to other banks	-	-	-	-	-
Derivative financial instruments	13,835,000	-	-	-	13,835,000
Customer deposits	335,797,948	8,145,513	-	3,656,660	347,600,121
Other liabilities	4,276,043	6,532	-	11,471	4,294,046
Total financial liabilities	**353,908,991**	**8,152,045**	-	**3,668,131**	**365,729,167**
Net on-balance sheet financial position	1,272,314	59,779	3,730,166	(3,462,551)	1,599,708
Credit commitments	**20,356,143**	-	-	-	**20,356,143**

Notes to the Financial Statements (Continued)

3.2.2 Foreign exchange risk (Continued)

Separate	**USD**	**EUR**	**GBP**	**Other Currencies**	**Total**
At 31 December 2019	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Assets					
Cash and balances with the Central Bank	152,312,118	1,441,768	4,032,090	135,460	157,921,436
Deposits and balances due from banking institutions	54,263,372	2,823,437	1,791,391	136,333	59,014,533
Derivative financial instruments	2,192			-	2,192
Investment in subsidiary				-	-
Loans and advances to customers	180,468,222	-	285	-	180,468,507
Other assets	11,621,883	32,119	29,806	64,675	11,748,483
Total financial assets	**398,667,787**	**4,297,324**	**5,853,572**	**336,467**	**409,155,150**
Liabilities					
Deposits from banks	-	-	-	-	-
Derivative financial instruments	1,747	-	-	-	1,747
Deposits from customers	390,790,002	4,485,551	5,748,140	199	401,023,892
Refinance loans	-	-	-	-	-
Other liabilities	-	-	-	6,347,766	6,347,766
Total financial liabilities	**390,791,749**	**4,485,551**	**5,748,140**	**6,347,965**	**407,373,405**
Net on-balance sheet financial position	7,876,038	(188,227)	105,432	(6,011,498)	1,781 ,745
Credit commitments	17,378,625	-	-	-	17,378,625

Notes to the Financial Statements (Continued)

Below is the impact of a 10% change in foreign exchange rates on the profit/loss before tax and equity:

i. (Loss)/profit before tax

Consolidated	**USD**	**EUR**	**GBP**
At 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**
10%	127,231	5,978	373,017
(10%)	(127,231)	(5,978)	(373,017)

At 31 December 2019	**USD**	**EUR**	**GBP**
	Ushs '000	**Ushs '000**	**Ushs '000**
10%	787,604	(18,822)	10,543
(10%)	(787,604)	18,822	(10,543)

Separate	**USD**	**EUR**	**GBP**
At 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**
(10%)	(89,062)	(4,185)	(261,112)
10%	89,062	4,185	261,112

At 31 December 2019	**USD**	**EUR**	**GBP**
	Ushs '000	**Ushs '000**	**Ushs '000**
(10%)	551,322	(13,176)	7,380
10%	(551,322)	13,176	(7,380)

Notes to the Financial Statements (Continued)
3. Financial risk management (Continued)

ii. Equity

Consolidated	**USD**	**EUR**	**GBP**
At 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**
(10%)	(58,320)	(4,185)	(261,112)
10%	58,320	4,185	261,112

At 31 December 2019	**USD**	**EUR**	**GBP**
	Ushs '000	**Ushs '000**	**Ushs '000**
(10%)	(846,313)	(46,813)	(10,672)
10%	846,313	46,813	10,672

Separate	**USD**	**EUR**	**GBP**
At 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**
(10%)	(891,270)	(2,963)	8,102
10%	891,270	2,963	(8,102)

At 31 December 2019	**USD**	**EUR**	**GBP**
	Ushs '000	**Ushs '000**	**Ushs '000**
(10%)	(846,313)	(46,813)	(10,672)
10%	(846,313)	(46,813)	(10,672)

3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by Bank Treasury.

The tables below summarise the Bank's non-trading book fair value exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by age.

Notes to the Financial statements (Continued)

Financial risk management (Continued)

Consolidated	0 to 3 months Ushs '000	4 to 6 months Ushs '000	7 to 12 months Ushs '000	Over 1 year Ushs '000	Over 5 years Ushs '000	Non Interest bearing Ushs '000	Total Ushs '000
As at 31 December 2020							
Assets							
Cash and balances with the Central Bank	-	-	-	-	-	200,118,900	200,118,900
Deposits and balances due from banking institutions	33,945,863	18,299,585	-	-	-	38,552,200	90,797,648
Derivative financial assets	-	-	-	-	-	14,274,178	14,274,178
Government securities at Amortised cost	22,396,342	10,450,395	5,117,531	58,464,059	1,982,544	-	98,410,871
Government securities at FVTPL	2,868,643	-	1,206,679	-	-	-	4,075,322
Loans and advances to customers	64,773,075	23,745,087	67,759,381	68,142,301	37,754,970	-	262,174,814
Right of Use	-	-	-	-	-	5,392,362	5,392,362
Total financial assets	**123,983 ,924**	**52,495,067**	**74,083 ,591**	**126,606 ,360**	**39,737,514**	**258,337 ,640**	**675,244,096**
Liabilities							
Deposits from banks	-	1,844,762	-	-	-	-	1,844,762
Derivative financial instruments	-	-	-	-	-	13,835,000	13,835,000
Deposits from customers	244,329,832	84,305,763	73,679,756	1,810,051	-	202,277,497	606,402,899
Lease liability	-	-	-	4,584,538	1,226,076	-	5,810,614
Total financial liabilities	**244,329,832**	**86,150,525**	**73,679,756**	**6,394,589**	**1,226,076**	**216,112,497**	**627,893,275**
Interest sensitivity gap	**(120,345,908)**	**(33,655,458)**	**403,835**	**120,211,771**	**38,511,438**	**42,225,143**	**47,350,821**

Below is the impact of a 10% change in interest rates on the profit before tax and equity:

	Profit before tax Ushs '000	Equity Ushs '000
At 31 December 2020		
10%	512,568	358,797
-10%	(512,568)	(358,797)
At 31 December 2019		
-10%	(4,451,521)	(3,116,064)
10%	4,451,521	3,116,064

Notes to the Financial Statements (Continued)
3. Financial risk management (Continued)

Consolidated	**0 to 3 months**	**4 to 6 months**	**7 to 12 months**	**Over 1 year**	**Over 5 years**	**Non-interest bearing**	**Total**
As at 31 December 2019	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Assets							
Cash and balances with the Central Bank	-	-	-	-	-	229,295,518	**229,295,518**
Deposits and balances due from banking institutions	96,169,057	11,027,332	-	-	-	13,903,923	**121,100,312**
Derivative financial instruments	-	-	-	-	-	2,192	**2,192**
Government securities at Amortised cost	19,039,097	-	-	49,097,652	1,023,900	-	**69,160,649**
Government securities at FVTPL	3,597,870	-	3,438,542	-	-	-	**7,036,412**
Loans and advances to customers	77,186,355	35,139,740	56,885,145	121,658,576	14,647,123	-	**305,516,939**
Right of Use	-	-	-	3,244,034	-	-	**3,244,034**
Total financial assets	**195,992,379**	**46,167,072**	**60,323,687**	**174,000,262**	**15,671,023**	**243,201,633**	**735,356,056**
Liabilities							
Deposits from banks	-	**1,853,337**	-	-	-		**1,853,337**
Derivative financial instruments	-	-	-	-	-	1,747	**1,747**
Deposits from customers	263,623,025	46,045,531	88,081,376	72,795	-	275,637,249	**673,459,976**
Lease liability	-	-	-	-	9,933,190	-	**9,933,190**
Total financial liabilities	**263,623,025**	**47,898,868**	**88,081,376**	**72,795**	**9,933,190**	**275,638,996**	**685,248,249**
Interest sensitivity gap	**(67,630,646)**	**(1,731,796)**	**(27,757,689)**	**173,927,467**	**5,737,833**	**(32,437,363)**	**50,107,807**

Notes to the Financial Statements (Continued)
3. Financial risk management (Continued)

Separate As at 31 December 2020	0 to 3 months Ushs '000	4 to 6 months Ushs '000	7 to 12 months Ushs '000	Over 1 year Ushs '000	Over 5 years Ushs '000	Non-Interest bearing Ushs '000	Total Ushs '000
Assets							
Cash and balances with the Central Bank	-	-	-	-	-	200,039,898	**200,039,898**
Deposits and balances due from banking institutions	33,945,863	18,299,585	-	-	-	38,552,200	**90,797,648**
Derivative financial assets	-	-	-	-	-	14,274,178	**14,274,178**
Government securities at Amortised cost	22,293,239	10,450,395	4,910,801	58,464,059	1,982,544	-	**98,101,038**
Government securities at FVTPL	2,868,643	-	1,206,679	-	-	-	**4,075,322**
Loans and advances to customers	64,773,075	23,745,087	67,759,381	68,142,301	37,754,970	-	**262,174,814**
Right of Use	-	-	-	-	-	5,392,362	**5,392,362**
Total financial assets	**123,880,820**	**52,495,067**	**73,876,861**	**126,606,360**	**39,737,514**	**258,258,638**	**674,855,260**
Liabilities							
Deposits from banks	-	1,844,762	-	-	-	-	**1,844,762**
Derivative financial instruments	-	-	-	-	-	13,835,000	**13,835,000**
Deposits from customers	244,455,014	84,305,763	73,679,756	1,810,051	-	202,277,497	**606,528,081**
Lease liability	-	-	-	4,584,538	1,226,076	-	**5,810,614**
Total financial liabilities	**244,455,014**	**86,150,525**	**73,679,756**	**6,394,589**	**1,226,076**	**216,112,497**	**628,018,457**
Interest sensitivity gap	**(120,574,194)**	**(33,655,458**	**197,105**	**120,211,771**	**38,511,438**	**42,146,141**	**46,836,803**

Below is the impact of a 10% change in interest rates on the profit before tax and equity:

	Profit before tax Ushs '000	Equity Ushs '000
At 31 December 2020		
(10%)	469,066	328,346
10%	(469,066)	(328,346)
At 31 December 2019		
(10%)	(4,451,521)	(3,116,064)
10%	4,451,521	3,116,064

Notes to the Financial Statements (Continued)
Financial risk management (Continued)

Separate	0 to 3 months	4 to 6 months	7 to 12 months	Over 1 year	Over 5 years	Non-interest bearing	Total
As at 31 December 2019	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Assets							
Cash and balances with the Central Bank	-	-	-	-	-	229,295,518	**229,295,518**
Deposits and balances due from banking institutions	96,169,057	11,027,332	-	-	-	13,903,923	**121,100,312**
Derivative financial instruments	-	-	-	-	-	2,192	**2,192**
Government securities at Amortised cost	18,679,174	-	-	49,097,652	1,023,900	-	**68,800,726**
Government securities at FVTPL	3,597,870	-	3,438,542	-	-	-	**7,036,412**
Loans and advances to customers	77,186,355	35,139,740	56,885,145	121,658,576	14,647,123	-	**305,516,939**
Right of Use	-	-	-	3,244,034	-	-	**3,244,034**
Total financial assets	**195,632,456**	**46,167,072**	**60,323,687**	**174,000,262**	**15,671,023**	**243,201,633**	**734,996,133**
Liabilities							
Deposits from banks	-	1,853,337	-	-	-		1,853,337
Derivative financial instruments	-	-	-	-	-	1,747	1,747
Deposits from customers	263,777,624	46,045,531	88,081,376	72,795	-	275,637,248	673,614,574
Lease liability	-	-	-	-	9,933,190	-	9,933,190
Total financial liabilities	**263,777,624**	**47,898,868**	**88,081,376**	**72,795**	**9,933,190**	**275,638,995**	**685,402,848**
Interest sensitivity gap	**(68,145,168)**	**(1,731,796)**	**(27,757,689)**	**173,927,467**	**5,737,833**	**(32,437,362)**	**49,593,285**

Notes to the Financial Statements (Continued)
Financial risk management (Continued)

Below is the impact of a 10% change in interest rates on the profit or loss before tax and equity:

	Profit or loss before tax Ushs '000	Equity Ushs '000
At 31 December 2020		
(10%)	469,066	328,346
10%	(469,066)	(328,346)
At 31 December 2019		
(10%)	(4,451,521)	(3,116,064)
10%	4,451,521	3,116,064

3.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

3.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Bank Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen;

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Notes 3.3.3).

Bank Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

3.3.2 Funding approach

Sources of liquidity are regularly reviewed by a separate team in Bank Treasury to maintain a wide diversification by currency, provider, product and term.

Notes to the Financial statements (Continued)

3.3.3 Financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the liquidity risk based on a different basis (see Note 3.3.1 for details), not resulting in a significantly different analysis.

Consolidated	**0 to 3 months**	**4 to 6 months**	**7 to 12 months**	**Over 1 year**	**Over 5 years**	**Total**
As at 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Assets						
Cash and balances with the Central Bank	200,118,900	-	-	-	-	200,118,900
Deposits and balances due from banking institutions	90,797,648	-	-	-	-	90,797,648
Derivative financial assets	14,274,178	-	-	-	-	14,274,178
Government securities at Amortised cost	22,396,342	10,450,395	5,117,531	58,464,059	1,982,544	98,410,871
Government securities at FVTPL	2,868,643	-	1,206,679	-	-	4,075,322
Loans and advances to customers	64,773,075	23,745,087	67,759,381	68,142,301	37,754,970	262,174,814
Right of Use	-	-	-	-	-	-
Total financial assets	**395,228,787**	**34,195,482**	**74,083,591**	**126,606,360**	**39,737,514**	**669,851,733**
Liabilities						
Deposits from banks	-	1,844,762	-	-	-	1,844,762
Derivative financial liabilities	13,835,000	-	-	-		13,835,000
Deposits from customers	446,607,328	84,305,763	73,679,756	1,810,051	-	606,402,899
Lease liability	-	-	-	-	-	-
Total financial liabilities	**460,442,328**	**86,150,525**	**73,679,756**	**1,810,051**	**-**	**622,082,660**
On-balance sheet liquidity gap	**(65,213,541)**	**(51,955,043)**	**403,834**	**124,796,307**	**39,737,514**	**47,769,073**
Off-balance sheet items						
Loan commitments	9,593,632	5,508,251	16,303,652	1,493,622	-	32,899,157
Guarantees	10,710,330	2,366,943	6,443,219	8,221,083	-	27,741,574
Performance bonds	1,454,469	1,701,231	207,657	20,000	-	3,383,357
Letters of credit	12,925,114	822,375	3,635,737	-	-	17,383,226
Total off-balance sheet items	**34,683,545**	**10,398,801**	**26,590,264**	**9,734,705**	**-**	**81,407,314**
Net Liquidity gap	**(99,897,087)**	**(62,353,843)**	**(26,186,430)**	**115,061,602**	**39,737,515**	**(33,638,241)**

Notes to the Financial Statements (Continued)
3. Financial risk management (Continued)

As at 31 December 2019	0 to 3 months Ushs '000	4 to 6 months Ushs '000	7 to 12 months Ushs '000	Over 1 year Ushs '000	Over 5 years Ushs '000	Total Ushs '000
Assets						
Cash and balances with the Central Bank	229,295,518	-	-	-	-	229,295,518
Deposits and balances due from banking institutions	110,072,980	11,027,332	-	-	-	121,100,312
Derivative financial assets	2,192	-	-	-	-	2,192
Government securities at Amortised cost	19,039,097	-	-	49,097,652	1,023,900	69,160,649
Government securities at FVTPL	3,597,870	-	3,438,542	-	-	7,036,412
Loans and advances to customers	77,186,355	35,139,740	56,885,145	121,658,576	14,647,123	305,516,939
Other assets	20,588,924	-	-	-	-	20,588,924
Total financial assets	**459,782,936**	**46,167,072**	**60,323,687**	**170,756,228**	**15,671,023**	**752,700,946**
Liabilities						
Deposits from banks	-	1,853,337	-	-	-	1,853,337
Derivative financial instruments	1,747	-	-	-	-	1,747
Deposits from customers	539,260,274	46,045,531	88,081,376	72,795	-	673,459,976
Other liabilities	15,578,966	-	-	-	-	15,578,966
Total financial liabilities	**554,840,987**	**47,898,868**	**88,081,376**	**72,795**	-	**690,894,026**
On-balance sheet liquidity gap	**(95,058,051)**	**(1,731,796)**	**(27,757,689)**	**170,683,433**	**15,671,023**	**61,806,920**
Off-balance sheet items						
Loan commitments	9,642,693	3,982,804	17,184,291	7,978	-	30,817,765
Guarantees	12,325,931	4,967,192	17,722,296	10,048,230	-	45,063,649
Performance bonds	1,336,367	2,271,395	95,000	3,000	-	3,705,762
Letters of credit	18,954,753	824,850	3,541,357	-	-	23,320,960
Total off-balance sheet items	**42,259,744**	**12,046,241**	**38,542,944**	**10,059,208**	-	**102,908,136**

Notes to the Financial Statements (Continued)

3 Financial risk management (Continued)

Separate As at 31 December 2020	0 to 3 Months Ushs '000	4 to 6 Months Ushs '000	7 to 12 Months Ushs '000	Over 1 year Ushs '000	Over 5 years Ushs '000	Total Ushs '000
Assets						
Cash and balances with the Central Bank	200,039,898	-	-	-	-	200,039,898
Deposits and balances due from banking institutions	90,797,648	-	-	-	-	90,797,648
Derivative financial assets	14,274,178	-	-	-	-	14,274,178
Government securities at Amortised cost	22,293,239	10,450,395	4,910,801	58,464,059	1,982,544	98,101,038
Government securities at FVTPL	2,868,643	-	1,206,679	-	-	4,075,322
Loans and advances to customers	64,773,075	23,745,087	67,759,381	68,142,301	37,754,970	262,174,814
Right of Use	-	-	-	4,319,719	1,072,643	5,392,362
Total financial assets	**395,046,681**	**34,195,482**	**73,876,861**	**130,926,079**	**40,810,157**	**674,855,260**
Liabilities						
Deposits from banks	-	1,844,762	-	-	-	1,844,762
Derivative financial instruments	13,835,000	-	-	-	-	13,835,000
Deposits from customers	446,732,510	84,305,763	73,679,756	1,810,051	-	606,528,081
Lease liability	-	-	-	4,584,538	1,226,076	5,810,614
Total financial liabilities	**460,567,510**	**86,150,525**	**73,679,756**	**6,394,589**	**1,226,076**	**628,018,456**
On-balance sheet liquidity gap	**(65,520,829)**	**(51,955,043)**	**197,105**	**124,531,490**	**39,584,081**	**46,836,804**
Off-balance sheet items						
Loan commitments	9,593,632	5,508,251	16,303,652	1,493,622	-	32,899,157
Guarantees	10,710,330	2,366,943	6,443,219	8,221,083	-	27,741,574
Performance bonds	1,454,469	1,701,231	207,657	20,000	-	3,383,357
Letters of credit	12,925,114	822,375	3,635,737	-	-	17,383,226
Total off-balance sheet items	**34,683,545**	**10,398,800**	**26,590,265**	**9,734,705**	**-**	**81,407,314**
Net Liquidity gap	**(100,204,374)**	**(62,353,843)**	**(26,393,161)**	**114,796,785**	**39,584,081**	**(34,570,510)**

Notes to the Financial Statements (Continued)
3 Financial risk management (Continued)

Separate	**0 to 3 months**	**4 to 6 months**	**7 to 12 months**	**Over 1 year**	**Over 5 years**	**Total**
	Ushs '000	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
As at 31 December 2019						
Assets						
Cash and balances with the Central Bank	163,256,415	-	-	-	-	163,256,415
Deposits and balances due from banking institutions	100,814,159	-	-	-	-	100,814,159
Derivative financial assets	558,500	-	-	-	-	558,500
Government securities at Amortised cost	4,983,807	16,485,653	18,788,397	45,991,589	1,000,000	87,249,446
Government securities at FVTPL	409,847	-	5,532,181	-	-	5,942,028
Loans and advances to customers	65,661,735	41,597,432	50,120,838	173,753,544	2,969,722	334,103,271
Other assets	12,722,029	-	-	-	-	12,722,029
Total financial assets	**348,406,492**	**58,083,085**	**74,441,416**	**219,745,133**	**3,969,722**	**704,645,848**
Liabilities						
Deposits from banks	1,434,289	-	-	-	-	1,434,289
Derivative financial instruments	1,250	-	-	-	-	1,250
Deposits from customers	467,339,358	42,371,887	108,051,108	316,658	-	618,079,011
Refinance loans	63,116	-	-	-	-	63,116
Other liabilities	14,195,957	-	-	-	-	14,195,957
Total financial liabilities	**483,033,970**	**42,371,887**	**108,051,108**	**316,658**	**-**	**633,773,623**
On-balance sheet liquidity gap	**(134,627,478)**	**15,711,198**	**(33,609,692)**	**219,428,475**	**3,969,722**	**70,872,225**
Off-balance sheet items						
Loan commitments	6,170,693	7,157,082	20,265,600	-	-	**33,593,375**
Guarantees	4,330,701	1,845,074	5,643,270	26,358,877	-	**38,177,922**
Performance bonds	1,573,393	903,534	381,369	55,000	-	**2,913,296**
Letters of credit	18,059,057	277,439	9,120,325	-	-	**27,456,821**
Total off-balance sheet items	**30,133,844**	**10,183,129**	**35,410,564**	**26,413,877**	**-**	**102,141,414**
Net Liquidity gap	**(164,761,322)**	**5,528,069**	**(69,020,256)**	**193,014,598**	**3,969,722**	**(31,269,189)**

Notes to the Financial statements (Continued)

3.3.4 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with central banks;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Bank's trading portfolios.

3.3.5 Current and Non-Current Assets and Liabilities

The table below shows the current and non-current assets and liabilities as at 31 December 2020 and 2019 respectively.

Separate	Statement of financial position	Less than 12 months after the reporting date	More than 12 months after the reporting date	Total
As at 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Assets				
Cash and balances with Central Bank	200,039,895	200,039,898	-	200,039,898
Deposits and balances due from banking institutions	90,797,648	90,797,648	-	90,797,648
Derivative financial instruments	14,274,178	14,274,178	-	14,274,178
Government securities at amortised cost	98,101,038	37,654,435	60,446,603	98,101,038
Government securities at FVTPL	4,075,322	4,075,322	-	4,075,322
Loans and advances to customers	262,174,814	156,277,543	105,897,271	262,174,814
Other assets	4,249,827	4,249,827	-	4,249,827
Property and equipment	8,659,531	-	8,659,531	8,659,531
Right of use assets	5,392,362	-	5,392,362	5,392,362
Intangible assets	3,043,717	-	3,043,717	3,043,717
Deferred income tax asset	43,115,641	-	43,115,641	43,115,641
Total Assets	**733,923,973**	**507,368,851**	**226,555,125**	**733,923,976**
Liabilities				
Deposits due to other banks	1,844,762	1,844,762	-	1,844,762
Derivative financial instruments	13,835,000	13,835,000	-	13,835,000
Customer deposits	606,528,082	604,718,031	1,810,051	606,528,082
Other liabilities	15,496,454	15,496,454	-	15,496,454
Lease liability	5,810,614	-	5,810,614	5,810,614
Total Liabilities	**643,534,927**	**635,894,247**	**7,620,665**	643,514,912

Notes to the Financial Statements (Continued)
3 Financial risk management (Continued)

3.3.5 Current and Non-Current Assets and Liabilities (Continued)

Separate

As at 31 December 2019	Statement of financial position Ushs '000	Less than 12 months after the reporting date Ushs '000	More than 12 months after the reporting date Ushs '000	Total Ushs '000
Assets				
Cash and balances with Central Bank	229,295,518	229,295,518	-	229,295,518
Deposits and balances due from banking institutions	121,100,312	121,100,312	-	121,100,312
Derivative financial instruments	2,192	2,192	-	2,192
Government securities at Amortised cost	75,837,138	25,715,586	50,121,552	75,837,138
Government securities at FVTPL	435,213	435,213	-	435,213
Loans and advances to customers	305,516,940	169,211,241	136,305,699	305,516,940
Other assets	20,422,177	20,422,177	-	20,422,177
Current income tax recoverable	-	-	-	-
Property and equipment	10,746,369	-	10,746,369	10,746,369
Intangible assets	4,035,100	-	4,035,100	4,035,100
Deferred income tax asset	43,173,651	-	43,173,651	43,173,651
Total Assets	**810,564,610**	**566,182,239**	**244,382,371**	**810,564,610**
Liabilities				
Deposits due to other banks	1,853,337	1,853,337	-	1,853,337
Derivative financial instruments	1,747	1,747	-	1,747
Customer deposits	673,614,574	673,541,779	72,795	673,614,574
Refinance loans	-	-	-	-
Current income tax payable	-	-	-	-
Other liabilities	15,419,139	15,419,139	-	15,419,139
Deferred income tax liability	-	-	-	-
Total Liabilities	**690,888,797**	**690,816,002**	**72,795**	**690,888,797**

3.4 Fair value of financial instruments

i. **Loans and advances to customers**
Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

ii. **Government securities held-to-maturity**
The fair value for these held-to-maturity assets is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

iii. **Refinance loans**
The refinance loans are measured at cost.

Notes to the Financial Statements (Continued)

3. Financial risk management (Continued)

iv. Other liabilities

The fair value of the other liabilities is computed through computing the present value of the cash flows using the weighted average cost of capital of the bank.

a) Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Uganda Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The fair value of the financial assets and liabilities in the table below is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Notes to the Financial Statements (Continued)

3. Financial risk management (Continued)

As at 31 December 2020	Level 1 Ushs '000	Level 2 Ushs '000	Level 3 Ushs '000	Total Ushs '000
Assets measured at fair value				
Derivative financial assets	-	-	-	-
Government securities at FVTPL	-	4,075,322	-	4,075,322
Investment in subsidiary	-	-	463,976	463,976
Other assets	-	-	11,059,684	11,059,684
	-	**4,075,322**	**11,523,660**	**15,598,982**
Liabilities measured at fair value				
Derivative financial instruments	-	-	-	-
	-	-	-	-

As at 31 December 2019	Level 1 Ushs '000	Level 2 Ushs '000	Level 3 Ushs '000	Total Ushs '000
Assets measured at fair value				
Derivative financial assets	-	-	2,192	2,192
Government securities at FVTPL	-	6,058,384	-	6,058,384
Investment in subsidiary	-	-	435,213	435,213
Other assets	-	-	20,422,177	20,422,177
	-	**6,058,384**	**20,859,582**	**26,917,966**
Liabilities measured at fair value				
Derivative financial instruments	-	-	1,747	1,250
	-	-	**1,747**	**1,250**

Notes to the Financial Statements (Continued)

3.5 Capital management

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

- To comply with the capital requirements set by the Central Bank;
- 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; and
- To maintain a strong capital base to support the development of its business.

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

The Bank maintains a ratio of core capital to its risk weighted assets and total regulatory capital to its risk-weighted assets above the minimum levels of 10% and 12% respectively as established under the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018 and the Financial Institutions (Capital Bulfers and Leverage Ratio) Regulations, 2020.

The Financial Institutions (Capital Buffers) Regulations 2020 were issued in 2020 which will increase the Bank's minimum capital requirement from 10% and 12% to 12.5% and 14.5% for core and total capital respectively effective 31 December 2021.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital is managed by its Bank Treasury and comprises two tiers:

- Tier 1 capital: permanent shareholder's equity, share premium, prior years' retained profits, net after tax profits current year to date (50% only), general reserves, less goodwill and other intangible assets, current year losses, investment in unconsolidated subsidiaries, deficiencies in provisions for losses, prohibited loans to insiders and other deductions determined by Central Bank
- Tier 2 capital: Revaluation reserves on fixed assets, unencumbered general provisions for losses, hybrid capital instruments and others and subordinated term debt.

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.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2020 and 2019. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

Orient Bank Limited was prudent in taking specific provisions on loans and advances as per Bank of Uganda prudential guidelines on credit classification regulations, 2005, which resulted into breach of Capital adequacy requirements as at 31 December 2020. However, the Directors prior to the breach had notified the shareholders, who took the remedial steps to arrest the breach through a resolution, dated 28 December 2020 committing to injection of Capital of Ushs 14,700,000,000.

Notes to the Financial Statements (Continued)
3.5 Capital management (Continued)

The funds were subsequently received within the time lines stipulated by Bank of Uganda (forty five days from date of breach) as per the Financial Institution's Act, 2004 as amended in 2016, section 86, which corrected the breach.

	2020 Ushs '000	2019 Ushs '000
Tier 1 capital		
Share capital	96,750,000	96,750,000
Retained earnings	(24,716,375)	1,485,275
Less: Intangible assets	(3,043,717)	(4,035,100)
Less: Deferred income tax asset	(43,114,532)	(36,960,123)
Less: Unrealized foreign exchange gains	(33,455)	-
Less: Investment in subsidiary	(80,000)	(80,000)
Total qualifying Tier 1 capital	**25,761,921**	**57,160,052**
Tier 2 capital		
Revaluation reserve	1,195,445	1,564,041
General provisions	3,355,707	4,148,579
Total qualifying Tier 2 capital	**4,551,152**	**5,712,620**
Total regulatory capital	**30,313,073**	**62,872,672**
Risk-weighted assets:		
On-balance sheet	283,655,899	373,244,698
Off-balance sheet	46,355,332	66,989,604
Market risk	5,118,023	6,797,968
Total risk-weighted assets	**335,129,253**	**447,032,270**
Core capital ratio	7.69%	12.79%
Total capital ratio	9.05%	14.06%

The minimum required core and total capital ratios are 10.0% and 12.0% respectively.

Notes to the Financial Statements (Continued)

3. Financial risk management (Continued)

	Nominal statement of financial position amounts		Risk Weight	Risk weighted amounts	
	2020	2019		2019	2019
	Ushs '000	Ushs '000		Ushs '000	Ushs '000
Balance sheet assets (net of provisions)					
Cash and balances with Central Bank	227,167,005	229,295,518	0%	-	-
Deposits and balances due from banking institutions	37,306,092	96,947,128	20%	7,461,218	19,389,426
Due from banks outside Uganda with long-term ratings as follows;					
Rated AAA to AA(-)	86,503	31,580	20%	17,301	6,316
Rated A (+) to A (-)	26,533,906	13,916,268	50%	13,266,953	6,958,134
Rated A (-) to non-rated	70,077	10,205,336	100%	70,077	10,205,336
Government securities at Amortised cost	120,160,134	68,800,726	0%	-	-
Government securities at FVTPL	4,239,135	7,036,412	0%	-	-
Loans and advances to customers	243,951,083	305,516,940	100%	243,951,083	305,516,940
Property and equipment	13,172,620	10,746,369	100%	13,172,620	10,746,369
Other assets	5,716,647	20,422,177	100%	5,716,647	20,422,177
Total assets	**678,403,202**	**762,918,454**		**283,655,899**	**373,244,698**
Off-balance sheet positions					
Performance bonds	2,325,549	3,705,762	50%	1,162,774	1,852,881
Guarantees	25,533,519	45,063,649	100%	25,533,519	45,063,649
Letters of credit	16,047,302	23,320,960	20%	3,209,460	4,664,192
Foreign currency contracts	439,178	2,192	0%	-	-
Unutilised commitments	32,899,157	30,817,765	50%	16,449,578	15,408,882
	77,244,705	**102,910,328**		**46,355,331**	**66,989,604**
Counterparty					
Government of Uganda and Bank of Uganda	-	-		-	-
Rated AAA to AA (-) and banks in Uganda	218,875	-		-	-
Rated A (+) to A (-)	-	-		-	-
Rated A (-) and non-rated	-	-		-	-
Total risk weighted CCR exposures	**218,875**	-		-	-
Interest rate risk	170,000	-		170,000	-
Foreign exchange risk	4,948,023			4,948,023	
Market risk	**5,118,023**	-		5,118,023	6,797,968
Total risk-weighted assets	**760,984,804**	**865,828,782**		**335,129,253**	**447,032,270**

Notes to the Financial Statements (Continued)

3. Financial risk management (Continued)

The breakdown of the Loans and advances to customers is as below ;

	2020 Ushs '000	2019 Ushs '000
Gross loans and advances (note 21)	284,123,820	321,716,415
Less Interest Suspended	(5,047,100)	(1,949,800)
Less Specific Provisions (note 33)	(35,967,884)	(25,886,774)
Net loans and advances	**243,108,836**	**293,879,841**

4. Critical accounting estimates and judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical to the Bank's results and financial position due to their materiality.

a) Covid-19 Considerations

In light of the Covid-19 environment, Bank of Uganda issued credit relief guidelines to accommodate the credit relief and loan restructuring measures announced through the monetary policy statement, where the Government of Uganda sought to assist entities and individuals whose operations were impacted by the Pandemic. Considerations made are twofold:

i) FIA – Classification and Provisions – Management considerations

- Freezing classification and loan loss provisioning for restructured contracts.
- Repayment Moratorium (Capitalisation of interest at end of moratorium period)
- Extension of tenor to accommodate notional payments of principal and interest within the same range of original contract.

ii) IFRS 9 – Management assumptions and considerations

- Macro-economic factors adjusted based on revised forecasts
- PD model computation maintained since significantly impacted by Macro-economic variables.
- Significant increase in credit risk pegged to individual assessment of portfolio before Covid-19 pandemic, during covid-19 pandemic (restructure period subsisting) and post Covid-19 strategic plans
- Governance around model assumptions and elections based on reasonable and supportable information.
- Valuation of securities maintained at internal policy considerations (Ageing of 3 years)

b) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements based on the Covid-19 considerations (see a. above), followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Consolidated, or national or macroeconomic conditions that correlate with defaults on assets in the Consolidated.

Notes to the Financial Statements (Continued)
4. Critical accounting estimates and judgements (Continued)

The directors use estimates based on historical loss experience and forward-looking factors for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Refer to note 2.5.

c) **Fair value of financial instruments**
The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

d) **Property, plant and equipment**
The bank carries its buildings at revalued amounts, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Changes in fair value are recognised in other comprehensive income.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The Bank determined that as at 31 December 2020, there was no material revaluation gain since the last assessment performed in 2016.

Notes to the Financial Statements (Continued)

5. Interest income and Interest expenses

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
Interest income				
Loans and advances	33,220,722	45,056,429	33,220,722	45,056,429
Deposits and balances due from banking institutions	5,316,100	4,661,598	5,316,100	4,661,598
	38,536,822	**49,718,027**	**38,536,822**	**49,718,027**
Government securities – Amortised Cost	11,559,304	11,674,802	11,516,190	11,666,415
Government securities – FVTPL	-	167,740	-	167,740
	11,559,304	**11,842,542**	**11,516,190**	**11,834,155**
Interest Income	**50,096,126**	**61,560,569**	**50,053,012**	**61,552,182**
Interest expense				
Deposits from banks	618,300	238,106	618,300	238,106
Deposits from customers	16,609,237	21,043,535	16,609,237	21,043,535
	17,227,537	**21,281,641**	**17,227,537**	**21,281,641**

The effective interest rate for loans and advance is 15.0% (2019: 15.0%). The effective interest rate for deposits is 3.2% (2019: 3.2%). The effective interest rate for government securities is 15.5% (2019: 15.5%).

6. Net fee and commission income

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
Fee and commission income				
Credit related fees and commissions	2,718,118	4,221,231	2,718,118	4,221,231
Commission income	13,858,122	15,074,829	13,858,122	15,783,779
Commission on trade	577,069	318,802	-	-
	17,153,309	**19,614,862**	**16,576,240**	**20,005,010**

7. Net trading gains

	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
Unrealized exchange (loss)	33,455	(445)
Realized exchange gains	5,595,713	4,072,344
Fair value adjustment	41,358	7,343
	5,670,526	**4,079,242**

Notes to the Financial Statements (Continued)

8. Impairment charges

	2020	2019
	Ushs '000	Ushs '000
	Consolidated and Separate	
Impairment charges to P&L		
Net Increase in impairment (Note 8b)	17,154,083	17,935,987
	17,154,083	**17,935,987**

Notes to the Financial statements (Continued)

8 (b) Movement in ECLs during the period

	At 1 January 2020 (Note 2.4a)				Movement during the period						At 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total opening ECL	Stage 1	Stage 2	Stage 3	Sub-total	Write-offs	Net P&L charge	Stage 1	Stage 2	Stage 3	Total closing ECL
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Bank Balances	104,185	-	-	104,185	(2,149)	-	-	(2,149)	-	(2,149)	102,035	-	-	102,035
Government Securities	3	-	-	3	1	-	-	1	-	1	4	-	-	4
Guarantees	258,096	-	-	258,096	(236,071)	23,866	-	(212,205)	-	(212,205)	38,566	23,867	-	62,433
Letters of Credit	99,815	-	-	99,815	(36,698)	-	-	(36,698)	-	(36,698)	40,540	-	-	40,540
Loans	238,949	1,618,282	14,342,245	16,199,476	(70,965)	(1,528,415)	12,934,182	11,334,802	6,078,631	17,413,433	167,984	89,868	21,691,154	21,949,006
OD Commitments	14,374	-	-	14,374	(1,675)	(3,353)	1	(5,027)	-	(5,027)	9,346	-	-	9,346
Placements	6,974	-	-	6,974	(3,272)	-	-	(3,272)	-	(3,272)	9,739	-	-	9,739
Grand Total	722,396	1,618,282	14,342,245	16,682,923	(350,829)	(1,507,902)	12,934,183	11,075,452	6,078,631	17,154,083	368,214	113,735	21,691,154	22,173,103

Notes to the Financial Statements (Continued)
8 (b) Movement in ECLs during the period (Continued)

	At 1 January 2019			(Note 2.4a)	Movement during the period				At 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total opening ECL	Stage 1	Stage 2	Stage 3	Net P&L charge	Stage 1	Stage 2	Stage 3	Total closing ECL
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Bank Balances	77,679	-	-	77,679	26,506	-	-	26,506	104,185	-	-	104,185
Government Securities	4	-	-	4	(1)	-	-	(1)	3	-	-	3
Guarantees	534,819	-	-	534,819	(276,723)	-	-	(276,724)	258,096	-	-	258,096
Letters of Credit	161,964	-	-	161,964	(62,149)	-	-	(62,149)	99,815	-	-	99,815
Loans	796,235	1,935,998	8,375,119	11,107,352	(557,286)	(317,716)	19,208,429	18,333,427	238,949	1,618,282	14,342,245	16,199,476
OD Commitments	98,656	-	-	98,656	(84,282)	-	-	(84,282)	14,374	-	-	14,374
Placements	7,764	-	-	7,764	(790)	-	-	(791)	6,974	-	-	6,974
Grand Total	1,677,121	1,935,998	8,375,119	11,988,238	(954,726)	(317,716)	19,208,429	17,935,986	722,396	1,618,282	14,342,245	16,682,923

Notes to the Financial statements (Continued)

8. Impairment charges (Continued)

Charge to profit and loss

	2020 Ushs '000	2019 Ushs '000
	Consolidated and separate	
Increment in provisions	11,075,452	10,616,640
Direct write-offs for the year	6,078,631	7,319,346
	17,154,083	**17,935,986**

9. Employee benefits expenses

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
Salaries	13,482,505	14,012,621	13,368,741	13,920,879
NSSF contributions	1,457,679	1,420,832	1,446,303	1,411,658
Other staff costs	1,151,103	2,361,884	1,134,220	2,357,402
Defined contribution fund	878,384	847,559	878,384	847,559
	16,969,671	**18,642,896**	**16,827,648**	**18,537,498**

10. General and administrative expenses

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
IT and software costs	5,236,045	4,911,535	5,236,045	4,911,535
Occupancy, furniture and equipment	2,157,190	2,715,138	2,157,190	2,715,138
Marketing and public relations	1,206,692	2,048,313	1,206,692	2,048,313
Travel and entertainment	45,045	131,271	45,045	131,271
Telecommunication and postage	1,680,789	1,702,535	1,680,789	1,700,035
Other administrative expenses	2,050,717	1,876,323	2,050,717	1,876,323
	12,376,478	**13,385,115**	**12,376,478**	**13,382,615**

Notes to the Financial Statements (Continued)

11. Depreciation and amortisation

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
Depreciation of property and equipment (Note 24)	3,124,145	3,621,994	3,122,800	3,620,448
Amortisation of intangible assets (Note 25)	2,344,324	2,681,168	2,344,324	2,681,168
Depreciation of right of use asset	2,395,968	3,010,727	2,395,968	3,010,727
	7,864,437	**9,313,889**	**7,863,092**	**9,312,343**

12. Other operating expenses/income

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
Consolidated	Consolidated		Separate	
Audit fees	469,099	337,966	437,191	337,966
Reversal of charges	261,644	443,891	258,641	443,891
Other general expenses	29,358,465	15,004,650	28,960,294	14,813,015
Depreciation and amortisation (note 25)	7,864,437	9,312,343	7,863,092	9,312,343
	37,953,645	**25,098,850**	**37,519,218**	**24,907,215**

12.b)Other income	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
Recoveries	2,796,324	1,645,829	2,796,324	1,645,829
Other operating income	(257,054)	772,029	(257,079)	62,208
	2,539,270	**2,417,858**	**2,539,245**	**1,708,037**

*Reversal of charges relates to concessions given to customers and reversal of charges on overdrawn accounts.

13. Finance cost

	2020 Ushs '000	2019 Ushs '000
	Consolidated and separate	
IFRS 16 interest expense	636,312	894,690
	636,312	**894,690**

Notes to the Financial Statements (Continued)

14. Income tax

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
Current income tax				
Current year charge	-	-	-	-
Income tax on government securities*	1,827,048	2,359,013	1,812,997	2,339,289
Deferred tax				
Current year - Bank	(6,019,428)	(10,878,592)	(14,582,995)	(10,858,868)
Over provision prior year	8,396,026	-	8,560,665	-
Equity Stock Brokers	(1,339)	6,111	-	-
Income tax expense	**4,203,646**	**(8,513,468)**	**(4,209,333)**	**(8,519,579)**

The tax on the consolidated loss before income tax differs from the theoretical amount as follows:
The effective tax rate for 2020 is 30% (2019: 30%).

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
Loss before income tax	**(26,858,495)**	**(9,566,649)**	**(26,902,253)**	**(9,595,175)**
Tax calculated at the tax rate of 30% (2019: 30%)	(8,057,549)	(2,869,995)	(8,070,676)	(2,878,553)
Effect of:				
- Final tax on government securities	1,827,049	2,339,289	1,812,997	2,339,289
- Prior year tax under provision	8,396,026	(6,358,090)	8,560,664	(6,349,533)
- Income not subject to tax (T-bills + Bonds)	(2,102,849)	(2,467,583)	(2,080,085)	(2,467,583)
- Prior year assessment	(4,896,837)	6,111	(4,909,964)	-
- Expenses not deductible for tax purposes	630,514	836,800	477,731	836,801
Income tax expense	**(4,203,646)**	**(8,513,468)**	**(4,209,333)**	**(8,519,579)**

*As per section 122 of the Income Tax Act of Uganda, Withholding Tax on interest paid on government securities is considered a final tax.

Notes to the Financial Statements (Continued)
15. Financial instruments by category

Consolidated

IFRS 9 At 31 December 2020	Amortised cost Ushs '000	Held at fair value through profit or loss Ushs '000	Financial liabilities at amortised cost Ushs '000	Total Ushs '000
Financial assets				
Cash and bank balances with the Central Bank	200,039,898	-	-	200,039,898
Deposits and balances due from banking institutions	90,797,648	-	-	90,797,648
Derivative financial instruments	-	14,274,178	-	14,274,178
Government securities	4,075,322	98,101,037	-	102,176,359
Investment in subsidiary	-	-	-	-
Loans and advances to customers	262,174,814	-	-	262,174,814
Other assets	-	4,468,938	-	4,468,938
	557,087,682	116,844,153	-	673,931,835
Financial liabilities at amortised cost				
Deposits due to other banks	-	-	1,844,761	1,844,761
Deposits from customers	-	-	606,528,082	606,528,082
Derivative liabilities	-	13,835,000	-	13,835,000
Refinance loans	-	-	-	-
Current income tax payable	-	-	-	-
Other liabilities	-	-	15,630,313	15,630,313
	-	13,835,000	624,003,156	637,838,156

IFRS 9 At 31 December 2019	Amortised cost Ushs '000	Held at fair value through profit or loss Ushs '000	Financial liabilities at amortised cost Ushs '000	Total Ushs '000
Financial assets				
Cash and bank balances with the Central Bank	229,295,518	-	-	229,295,518
Deposits and balances due from banking institutions	121,100,312	-	-	121,100,312
Derivative financial instruments	-	2,192	-	2,192
Government securities	69,160,649	7,036,412	-	76,197,061
Loans and advances to customers	305,516,940	-	-	305,516,940
Other assets	-	20,588,951	-	20,588,951
	725,073,419	27,627,555	-	752,700,974
Financial liabilities at amortised cost				
Deposits due to other banks	-	-	1,853,337	1,853,337
Deposits from customers	-	-	673,459,975	673,459,975
Derivative liabilities	-	1,747	-	1,747
Refinance loans	-	-	-	-
Current income tax payable	-	-	-	-
Other liabilities	-	-	15,579,767	15,579,767
	-	1,747	690,893,079	690,894,826

Notes to the Financial Statements (Continued)
Separate

IFRS 9	Amortised cost	Held at fair value through profit or loss	Financial liabilities at amortised cost	Total
At 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Financial assets				
Cash and bank balances with the Central Bank	200,039,895	-	-	200,039,895
Deposits and balances due from banking institutions	90,797,648	-	-	90,797,648
Derivative financial instruments	-	14,274,178	-	14,274,178
Government securities	4,075,322	98,101,037	-	102,176,359
Investment in subsidiary	-	-	-	-
Loans and advances to customers	262,174,814	-	-	262,174,814
Other assets	-	4,249,827	-	4,249,827
	557,087,679	**116,625,042**	**-**	**673,712,721**
Financial liabilities at amortised cost				
Deposits due to other banks	-	-	1,844,761	1,844,761
Deposits from customers	-	-	606,528,082	606,528,082
Derivative liabilities	-	13,835,000	-	13,835,000
Refinance loans	-	-	-	-
Current income tax payable	-	-	-	-
Other liabilities	-	-	15,496,454	15,496,454
	-	**13,835,000**	**623,869,297**	**637,704,297**

IFRS 9	Amortised cost	Held at fair value through profit or loss	Financial liabilities at amortised cost	Total
At 31 December 2019	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Financial assets				
Cash and bank balances with the Central Bank	229,295,518	-	-	229,295,518
Deposits and balances due from banking institutions	121,100,312	-	-	121,100,312
Derivative financial instruments	-	2,192	-	2,192
Government securities	68,800,726	7,036,412	-	75,837,138
Investment in subsidiary	-	-	-	-
Loans and advances to customers	305,516,940	-	-	305,516,940
Other assets	-	20,422,177	-	20,422,177
	724,713,496	**27,460,781**	**-**	**752,174,277**
Financial liabilities at amortised cost				
Deposits due to other banks	-	-	1,853,337	1,853,337
Deposits from customers	-	-	673,614,574	673,614,574
Derivative liabilities	-	1,747	-	1,747
Current income tax payable	-	-	-	-
Other liabilities	-	-	15,419,139	15,419,139
	-	**1,747**	**690,887,050**	**690,888,797**

Notes to the Financial Statements (Continued)

16. Cash and balances with Central Bank

	2020	2019	2020	2019
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
	Consolidated		Separate	
Cash in hand	31,609,392	34,294,467	31,530,390	34,294,467
Balances with the Central bank other than mandatory reserve deposits	120,349,508	140,921,051	120,349,508	140,921,051
Included in cash and cash equivalents (Note 17)	**151,958,900**	**175,215,518**	**151,879,898**	**175,215,518**
Mandatory reserve deposits with Central Bank	48,160,000	54,080,000	48,160,000	54,080,000
	200,118,900	**229,295,518**	**200,039,898**	**229,295,518**

Mandatory reserve deposits are not available for use in the Bank's day-to-day operations. Cash-in-hand and balances with the Central Bank and mandatory reserve deposits are non-interest-bearing.

The required cash reserve with Bank of Uganda as at 31 December 2020 was Ushs: 48,160 million (2019: Ushs 54,080 million). The cash ratio requirement is non-interest earning and is based on the value of customer deposits as adjusted by the Bank of Uganda. The cash reserves held are allowed to fluctuate to not less than 50% of the mandatory requirement on a given day provided the average for the specified two weeks period is not lower than minimum requirements, and are subject to sanctions for non-compliance.

17. Cash and cash equivalents

For the purpose of the consolidated and separate statement of cash flows, cash and cash equivalents include:

	Consolidated		Separate	
	2020	2019	2020	2019
	Ushs 000	Ushs 000	Ushs 000	Ushs 000
	Consolidated		Separate	
Cash and balances with Bank of Uganda	200,118,899	229,295,518	200,039,898	229,295,518
Cash Reserve Requirement	(48,160,000)	(54,080,000)	(48,160,000)	(54,080,000)
Government securities maturing within 90 days	24,745,613	23,098,114	24,646,995	22,893,930
Placements with other Banks	52,105,200	95,910,509	52,105,200	95,910,509
Total	**228,809,712**	**294,224,141**	**228,632,093**	**294,019,957**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition including: cash and balances with 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 cash balance with the Bank of Uganda that is not available to finance the bank's day-to-day activities. The amount is determined by Bank of Uganda as a percentage of the average outstanding customer deposits over a cash reserve cycle period of 2 weeks. Whilst it is available for use in the bank's activities and may fall to 50% of the margin on a given day there are sanctions for non-compliance. As at 31 December, the reserve requirement was Ushs: 48,160 million (2019: Ushs 54,080 million)

Notes to the Financial Statements (Continued)

18. Deposits and balances due from banking institutions

	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
Balances due from other banking institutions	38,798,185	14,302,959
Placements with other banks	52,105,200	106,908,512
Gross deposits and balances due from banking institutions	**90,903,385**	**121,211,471**
Less impairment	(105,737)	(111,159)
Net deposits and balances due from banking institutions	**90,797,648**	**121,100,312**

Consolidated and separate

Bank Balances **As at 31 December 2020**	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Amortised cost	38,798,185	-	-	38,798,185
Total	**38,798,185**	**-**	**-**	**38,798,185**
Less impairment	(102,035)	-	-	(102,035)
Total	**38,696,150**	-	-	**38,696,150**

Placements **As at 31 December 2020**	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Amortised cost	52,105,200	-	-	52,105,200
Total	**52,105,200**	**-**	**-**	**52,105,200**
Less impairment	(3,702)	-	-	(3,702)
Total	**52,101,498**	-	-	**52,101,498**

Bank Balances **As at 31 December 2019**	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Amortised cost	14,302,959	-	-	14,302,959
Total	**14,302,959**	**-**	**-**	**14,302,959**
Less impairment	(104,185)	-	-	**(104,185)**
Total	**14,198,774**	-	-	**14,198,774**

Placements **As at 31 December 2019**	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Amortised cost	106,908,512	-	-	106,908,512
Total	**106,908,512**	**-**	**-**	**106,908,512**
Less impairment	(6,974)	-	-	(6,974)
Total	**106,901,538**	-	-	**106,901,538**

Notes to the Financial Statements (Continued)

19. Derivative financial instruments

Derivatives held for trading are generally related to products that the Bank provides to its customers. The Bank may also take positions with the expectation of profiting from favourable movements in rates. Most of the trading portfolio is within the Bank's treasury department and is treated as trading risk for risk management purposes. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

	Carrying amount value asset	Notional amount assets	Carrying amount value liabilities	Notional amount liabilities
At 31 December 2020	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Derivatives held for trading				
Foreign exchange contracts	14,274,178	13,230,250	13,835,000	12,792,500
Total	**14,274,178**	**13,230,250**	**13,835,000**	**12,792,500**

	Carrying amount value asset	Notional amount assets	Carrying amount value liabilities	Notional amount liabilities
At 31 December 2019	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Derivatives held for trading				
Foreign exchange contracts	2,192	5,243,209	1,747	5,242,764
Total	**2,192**	**5,243,209**	**1,747**	**5,242,764**

20. Government securities

20(a) At Amortised cost	2020	2019	2020	2019
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
	Consolidated		Separate	
Treasury bills				
Face value				
Maturing within 90 days	12,500,000	4,000,000	12,500,000	4,000,000
Maturing after 90 days	16,294,135	359,923	15,984,301	-
	28,794,135	**4,359,923**	**28,484,301**	**4,000,000**
Unearned interest	(1,110,383)	(45,087)	(1,110,383)	(45,087)
	27,683,752	**4,314,836**	**27,373,918**	**3,954,913**
Treasury Bonds				
Face value				
Maturing within 90 days	9,000,000	20,595,878	9,000,000	20,595,878
Maturing between 90 and 365 days	-	-	-	-
Maturing after 365 days	61,588,600	57,683,768	61,588,600	57,683,768
	70,588,600	78,279,646	**70,588,600**	**78,279,646**
Unearned interest	138,524	(13,433,832)	138,524	(13,433,831)
	70,727,124	**64,845,814**	**70,727,124**	**64,845,815**
Gross Government securities at Amortised cost	98,410,876	69,160,651	98,101,042	68,800,728
Less impairment	(4)	(2)	(4)	(2)
Net Government securities at Amortised cost	**98,410,872**	**69,160,647**	**98,101,038**	**68,800,726**

Notes to the Financial Statements (Continued)

Gross Government securities at Amortised cost As at 31 December 2020	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
		Separate		
Amortised cost	98,101,041	-	-	98,101,041
Total	**98,101,041**	-	-	**98,101,041**
Less impairment	(4)	-	-	(4)
Total	**98,101,037**	-	-	**98,101,037**

Gross Government securities at Amortised cost	Stage 1	Stage 2	Stage 3	Total
				Separate
As at 31 December 2019	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Amortised cost	68,800,728	-	-	68,800,728
Total	**68,800,728**	-	-	**68,800,728**
Less impairment	(2)	-	-	(2)
Total	**68,800,726**	-	-	**68,800,726**

Gross Government securities at Amortised cost As at 31 December 2020	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
		Consolidated		
Amortised cost	94,775,013	-	-	94,775,013
Total	**94,775,013**	-	-	**94,775,013**
Less impairment	(4)	-	-	(4)
Total	**94,775,009**	-	-	**94,775,009**

Gross Government securities at Amortised cost	Stage 1	Stage 2	Stage 3	Total
				Consolidated
As at 31 December 2019	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Amortised cost	69,160,651	-	-	69,160,651
Total	**69,160,651**	-	-	**69,160,651**
Less impairment	(2)	-	-	(2)
Total	**69,160,649**	-	-	**69,160,649**

Notes to the Financial Statements (Continued)

20. Government securities (Continued)

20.b)Government securities at FVTPL	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
	Ushs '000	Ushs '000
Face value		
Maturing within 90 days	3,032,456	3,200,000
Maturing after 90 days	1,206,679	4,197,777
	4,239,135	**7,397,777**
Unearned interest	(163,813)	(361,364)
Gross Government securities at FVTPL	4,075,322	7,036,413
Less impairment	-	(1)
Net Government securities at FVTPL	4,075,322	7,036,412

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Total government securities	**102,486,194**	**76,197,061**	**102,176,359**	**75,837,138**

Gross Government securities at FVTPL **As at 31 December 2020**	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
		Consolidated and Separate		
Amortised cost	4,075,322	-	-	4,075,322
Total	**4,075,322**	-	-	**4,075,322**
Less impairment	-	-	-	-
Total	**4,075,322**	-	-	**4,075,322**

Gross Government securities at FVTPL **As at 31 December 2019**	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
		Consolidated and Separate		
Amortised cost	7,036,413	-	-	7,036,413
Total	**7,036,413**	-	-	**7,036,413**
Less impairment	(1)	-	-	(1)
Total	**7,036,412**	-	-	**7,036,412**

Notes to the Financial Statements (Continued)

21. Investment in subsidiary

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
Equity securities – at fair value:				
– Equity Stock Brokers Limited	-	-	465,670	435,213
Total investment in subsidiary	-	-	**465,670**	**435,213**

	2020 Ushs '000	2019 Ushs '000
Equity stock brokers total fair value	582,087	544,016
Equity stock brokers at fair value (80%)	465,669	435,213
Less original investment	(80,000)	(80,000)
	385,669	355,213
Deferred income tax on fair value	(115,701)	(106,564)
Fair value net of tax	**269,969**	**248,649**

Summary of Equity Stock Brokers Limited's financial statements

	2020 Ushs '000	2019 Ushs '000
Total assets	715,946	704,643
Total liabilities	133,859	160,627
Net Assets	582,087	544,015
Revenue	620,207	328,058
Profit after tax	38,071	22,412

The movement in fair value of the investment in Equity Stock Brokers arises because, from 1 January 2020, the investment is classified as 'fair value through OCI' in line with *IFRS 9 Financial Instruments.*

The principal place of business of Equity Stock Brokers Ltd is Kampala. The Bank owns 80% (2019: 80%) of the company while 20% is owned by Shoal.

Further, the profit that has been allocated to Shoal Ltd for the year ended 31 Dec 2020 is Ushs. 30 m (2019: Ushs 22m). The accumulated non-controlling interest is Ushs. 114m (2019: Ushs 108m).

Notes to the Financial Statements (Continued)

22. Loans and advances to customers

	2020	2019
	Ushs '000	Ushs '000
	Consolidated and Separate	
Retail	20,431,530	23,582,530
Corporate	263,692,290	298,133,885
	284,123,820	**321,716,415**

Net loans and advances	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
Gross loans and advances to customers	284,123,820	321,716,415
Less: allowance for impairment	(21,949,006)	(16,199,475)
Net loans and advances to customers	**262,174,814**	**305,516,940**

Gross loans and advances	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
Gross advances to customers by industry composition:		
Trade and commerce	88,376,160	101,695,845
Agriculture	52,340,563	72,369,917
Manufacturing	39,918,128	44,228,836
Transport & communication	15,827,385	14,200,722
Building and construction	49,544,131	51,597,380
Personal, service industry and others	38,117,453	37,623,715
Gross advances to customers	**284,123,820**	**321,716,415**

Loans and Overdrafts to Customers As at 31 December 2020	**Stage 1 Ushs'000**	**Stage 2 Ushs'000**	**Stage 3 Ushs'000**	**Total Ushs'000**
		Consolidated and Separate		
Amortised cost	169,327,859	43,492,864	71,303,097	284,123,820
Sub-total	**169,327,859**	**43,492,864**	**71,303,097**	**284,123,820**
Less impairment	(167,985)	(89,868)	(21,691,153)	(21,949,006)
Total	**169,159,874**	**43,402,996**	**49,611,944**	**262,174,814**
As at 31 December 2019				
Amortised cost	237,598,397	24,089,952	60,028,066	321,716,415
Sub-total	**237,598,397**	**24,089,952**	**60,028,066**	**321,716,415**
Less impairment	(1,372,698)	(484,533)	(14,342,244)	(16,199,475)
Total	**236,225,699**	**23,605,419**	**45,685,822**	**305,516,940**

vThe Bank holds the following collateral as security for its loans and advances: buildings, land, deposits, margins accounts, plant, machinery and stock among others.

Notes to the Financial Statements (Continued)

22. Loans and advances to customers (Continued)

Movement analysis

The tables below analyse the movement of the loss allowance during the year per class of assets.

ECL on loans and advances at amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Corporate & Retail	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Loss allowance as at 1 January 2020	(345,849)	1,827,015	14,718,314	16,199,480
Changes in the loss allowance				-
– Transfer to stage 1	(204,574)	(230,833)	10,954,568	10,519,161
– Transfer to stage 2	(5,843)	(15,080)	143,015	122,092
– Transfer to stage 3	(25,445)	-	1,992,339	1,966,894
– Write-offs	-	-	(5,585,272)	(5,585,272)
New financial assets originated or purchased	125,560	81,200	327,940	534,700
Financial assets that have been derecognized	624,136	(1,572,439)	(859,746)	(1,808,049)
Loss allowance as at 31 December 2020	**167,985**	**89,863**	**21,691,158**	**21,949,006**

ECL on loans and advances at amortised cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Corporate & Retail	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Loss allowance as at 1 January 2019	**796,235**	**1,935,998**	**8,375,119**	**11,107,352**
Changes in the loss allowance				
– Transfer to stage 1	(468,180)	429,550	8,350,102	**8,311,472**
– Transfer to stage 2	(186,555)	(476,366)	4,805,876	**4,142,955**
– Transfer to stage 3	(467,083)	(53,886)	9,150	**(511,819)**
– Write-offs	-	-	(11,255,445)	**(11,255,445)**
New financial assets originated or purchased	27,806	16,014	850,429	**894,249**
Financial assets that have been derecognized	(48,074)	(24,294)	3,583,079	**3,510,711**
Loss allowance as at 31 December 2019	**(345,851)**	**1,827,015**	**14,718,310**	**16,199,475**

Movements in provisions for loans and advances are as follows;

	2020	**2019**
	Ushs '000	**Ushs '000**
	Consolidated and separate	
At 1 Jan	16,199,475	11,107,352
Provisions established during the year	11,334,802	16,859,388
Recoveries for the year	-	(511,820)
Written off loans	(5,585,272)	(11,255,445)
At 31 Dec	**21,949,005**	**16,199,475**

Notes to the Financial Statements (Continued)

23. Other assets

	2020	2019	2020	2019
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
	Consolidated		Separate	
Prepayments	2,599,002	2,359,335	2,433,196	2,359,333
Other receivables	1,816,629	18,229,618	1,816,629	18,062,844
	4,415,631	**20,588,953**	**4,249,825**	**20,422,177**

Prepayments include advance payments made for insurance, advertisement, stationery and software maintenance among others. Other receivables comprise of mainly charges and commission receivable among others.

24. Current income tax recoverable

	2020	2019	2020	2019
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Consolidated	Consolidated		Separate	
Balance as at 1 January	20,158	1,250,799	-	1,250,799
Current tax charge	1,812,997	2,359,447	1,812,997	2,339,289
Tax paid - current year	(1,813,145)	(3,590,088)	(1,812,997)	(3,590,088)
Balance as at 31 December	**20,010**	**20,158**	**-**	**-**

Notes to the Financial statements (Continued)

25. Property and equipment

Consolidated

	Land	Buildings	Leasehold improvements	Furniture, fixtures, strong rooms & safes	Computer equipment, ATMs, POS & SWIFT	Motor vehicles	Office Equipment	Work in Progress	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Cost									
Balance at 1 January 2019	2,485,750	4,060,000	5,863,042	3,574,517	13,117,670	1,401,594	7,521,707	346,459	38,370,739
Additions	-	-	32,560	12,123	338,070	2,200	222,725	907,352	1,515,030
Disposals	-	-	-	-	(782,873)	(167,649)	(2,000)	-	(952,522)
Transfer from WIP	-	-	142,450	-	-	-	178,807	(321,257)	-
WIP write off during the year	-	-	-	-	-	-	-	(131,929)	(131,929)
Transfer to intangibles (note 25)	-	-	-	-	-	-	-	(442,108)	(442,108)
Balance at 31 December 2019	**2,485,750**	**4,060,000**	**6,038,052**	**3,586,640**	**12,672,867**	**1,236,145**	**7,921,239**	**358,517**	**38,359,210**
Balance at 1 January 2020	2,485,750	4,060,000	6,038,052	3,586,640	12,672,867	1,236,145	7,921,239	358,517	38,359,210
Additions	-	-	17,266	2,620	1,023,629	-	54,382	487,343	1,585,240
Disposals	-	-	(2,286,937)	(1,416,023)	(3,746,394)	(320,446)	(2,661,498)	-	(10,431,298)
Balance at 31 December 2020	**2,485,750**	**4,060,000**	**3,768,381**	**2,173,237**	**9,950,102**	**915,699**	**5,314,123**	**845,860**	**29,513,152**
Accumulated depreciation and impairment losses									
Balance at 1 January 2019	980,917	922,546	3,904,157	2,475,256	10,565,674	829,669	5,269,061	-	24,947,280
Depreciation for the year	131,453	284,200	484,280	258,523	1,517,882	163,412	781,471	-	3,621,221
Impairment loss	-	-	(2,491)	(440)	(382)	-	(871)	-	(4,184)
Disposals	-	-	-	-	(782,860)	(167,649)	(2,000)	-	(952,509)
Balance at 31 December 2019	**1,112,370**	**1,206,746**	**4,385,946**	**2,733,339**	**11,300,314**	**825,432**	**6,047,661**	-	**27,611,808**
Balance at 1 January 2020	1,112,370	1,206,746	4,385,946	2,733,339	11,300,314	825,432	6,047,661	-	27,611,808
Depreciation for the year	131,453	284,200	383,244	226,273	1,258,046	153,642	687,287	-	3,124,145
Disposals	-	-	(1,890,265)	(1,372,639)	(3,728,608)	(319,999)	(2,583,285)	-	(9,894,796)
Balance at 31 December 2020	**1,243,823**	**1,490,946**	**2,878,925**	**1,586,973**	**8,829,752**	**659,075**	**4,151,663**	-	**20,841,157**
Carrying amounts									
Balance at 1 January 2020	1,373,380	2,853,254	1,652,106	853,301	1,372,553	410,713	1,873,578	358,517	10,747,402
Balance at 31 December 2020	**1,241,927**	**2,569,054**	**889,456**	**586,264**	**1,120,350**	**256,624**	**1,162,460**	**845,860**	**8,671,995**

Notes to the Financial Statements (Continued)

Separate	Land	Buildings	Leasehold improvements	Furniture, fixtures, strong rooms & safes	Computer equipment, ATMs, POS & SWIFT	Motor vehicles	Office Equipment	Work in Progress	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Cost									
Balance at 1 January 2019	2,485,750	4,060,000	5,863,041	3,574,517	13,104,104	1,401,594	7,521,707	346,459	38,357,172
Additions	-	-	32,560	12,123	338,070	2,200	222,725	907,352	1,515,030
Disposals	-	-	-	-	(782,873)	(167,649)	(2,000)	-	(952,522)
Transfer from WIP	-	-	142,450	-	-	-	178,807	(321,257)	-
WIP write off during the year	-	-	-	-	-	-	-	(131,528)	(131,528)
Transfer to intangibles (note 25)	-	-	-	-	-	-	-	(442,108)	(442,108)
Balance at 31 December 2019	2,485,750	4,060,000	6,038,051	3,586,640	12,659,301	1,236,145	7,921,239	358,918	38,346,044
Balance at 1 January 2020	2,485,750	4,060,000	6,038,051	3,586,640	12,659,301	1,236,145	7,921,239	358,918	38,346,044
Additions	-	-	17,266	2,620	1,010,853	-	54,382	487,343	1,572,464
Disposals	-	-	(2,286,937)	(1,416,410)	(3,746,394)	(320,446)	(2,660,711)	-	(10,430,898)
Balance at 31 December 2020	2,485,750	4,060,000	3,768,380	2,172,850	9,923,760	915,699	5,314,910	845,261	29,487,610
Accumulated depreciation and impairment losses									
Balance at 1 January 2019	980,917	922,546	3,901,666	2,474,869	10,558,079	829,224	5,268,220	-	24,935,521
Depreciation for the year	131,453	284,200	484,280	258,523	1,517,109	163,412	781,471	-	3,620,448
Impairment loss	-	-	(2,491)	(440)	(382)	-	(872)	-	(4,185)
Disposals	-	-	-	-	(782,460)	(167,649)	(2,000)	-	(952,109)
Balance at 31 December 2019	1,112,370	1,206,746	4,383,455	2,732,952	11,292,346	824,987	6,046,819	-	27,599,675
Balance at 1 January 2020	1,112,370	1,206,746	4,383,455	2,732,952	11,292,346	824,987	6,046,819	-	27,599,675
Depreciation for the year	131,453	284,200	383,244	226,273	1,256,701	153,642	687,287	-	3,122,800
Disposals	-	-	(1,890,265)	(1,372,639)	(3,728,608)	(319,999)	(2,583,285)	-	(9,894,796)
Balance at 31 December 2020	1,243,823	1,490,946	2,876,434	1,586,586	8,820,439	658,630	4,150,821	-	20,827,679
Carrying amounts									
Balance at 1 January 2020	1,373,380	2,853,254	1,654,596	853,688	1,366,955	411,158	1,874,420	358,918	10,746,369
Balance at 31 December 2020	1,241,927	2,569,054	891,946	586,264	1,103,321	257,069	1,164,089	845,261	8,659,531

Notes to the Financial statements (Continued)

25. Property and equipment (Continued)

Reconciliation of the carrying amount of buildings	**2020**	**2019**
	Ushs '000	**Ushs '000**
	Consolidated and Separate	
Carrying amount as at 1 January 2019	2,853,254	3,137,454
Depreciation for the year	(284,200)	(284,200)
Carrying amount and fair value as at 31 December 2020	**2,569,054**	**2,853,254**

If the buildings were measured using the cost method, the carrying amounts would be as follows:

	2020	**2019**
	Ushs '000	**Ushs '000**
	Consolidated and Separate	
Buildings (cost)	2,315,243	3,318,264
Reclassification (net)	-	(1,003,021)
Accumulated depreciation	(1,490,946)	(1,206,746)
Net carrying amount	**824,297**	**1,108,497**

26. Intangible assets

	2020	**2019**
	Ushs '000	**Ushs '000**
	Consolidated and Separate	
Cost		
At 1 January	20,704,302	19,367,932
Additions	1,352,942	894,262
Disposals	(413,634)	
Transfer from work in progress (Refer to note 24)	-	442,108
At 31 December	**21,643,610**	**20,704,302**
Accumulated amortization		
At 1 January	16,669,202	13,988,034
Disposal	(413,633)	-
Amortization charge	2,344,324	2,681,168
At 31 December	**18,599,893**	**16,669,202**
Net carrying amount	**3,043,717**	**4,035,100**

Notes to the Financial Statements (Continued)

27.Right of Use asset.

	2020	2019
	Ushs '000	Ushs '000
	Consolidated and Separate	
Cost		
At 1 January	12,739,570	12,739,570
Additions	290,949	-
Disposals	(3,478,489)	-
At 31 December	**9,552,030**	**12,739,570**
Accumulated depreciation		
At 1 January	3,010,727	-
Charge for the year	2,395,968	3,010,727
Disposals	(1,637,275)	-
At 31 December	**(1,247,027)**	**3,010,727**
Carrying amount		
At 31 December	**5,392,362**	**9,728,843**

Notes to the Financial statements (Continued)

28. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%). The movement on the deferred income tax account is as follows:

Consolidated

a) **Deferred income tax asset**

Consolidated	**Accelerated tax depreciation**	**Others**	**Charges for loan impairment**	**Tax Losses**	**Unrealised exchange loss**	**Deferred tax on revaluation surplus**	**Total**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
At 1 January 2019	(626,981)	(186,412)	(6,567,458)	(19,433,381)		945,030	(25,869,202)
Charged/credited to profit	(268,339)	(353,481)	43,811	(10,282,914)	(134)	-	(10,861,057)
Charged to equity	-	-	-	-	-	(338,617)	(338,617)
At 31 December 2019	**(895,320)**	**(539,893)**	**(6,523,647)**	**(29,716,295)**	**(134)**	**606,413**	**(37,068,876)**
At 1 January 2020	(895,320)	(539,893)	(6,523,647)	(29,716,295)	(134)	606,413	(37,068,876)
Prior year under provision	609,369	176,783	7,554,765	293,895	-	(238,786)	8,396,026
Charged/credited to profit	(184,131)	(332,845)	1,594,994	(15,549,530)	10,432	-	(14,461,080)
Charged to equity	-	-	-	-	-	(338,618)	(338,618)
At 31 December 2020	**(470,082)**	**(786,794)**	**2,626,112**	**(44,971,930)**	**10,298**	**358,634**	**(43,233,762)**

Notes to the Financial Statements (Continued)

a) Deferred income tax asset (Continued)

Separate	Accelerated tax depreciation	Others	Charges for loan impairment	Tax Losses	Unrealised exchange loss	Deferred tax on revaluation surplus	Fair value	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
At 1 January 2019	(626,981)	(186,412)	(6,567,458)	(19,433,381)	-	945,030	122,226	(25,746,976)
Charged/credited to profit	(268,338)	(353,481)	46,000	(10,282,914)	(134)	-		(10,858,867)
Charged to equity	-	-	-	-	-	(338,618)	(15,662)	(354,280)
At 31 December 2019	**(895,319)**	**(539,893)**	**(6,521,458)**	**(29,716,295)**	**(134)**	**606,412**	**106,564**	**(36,960,123)**
At 1 January 2020	(895,319)	(539,893)	(6,521,458)	(29,716,295)	(134)	606,412	106,564	(36,960,123)
Prior year under provision	609,369	176,783	7,719,403	293,895	-	(238,786)	-	8,560,664
Charged/credited to profit	(184,131)	(85,066)	1,431,696	(15,549,530)	10,432	(8,993)	-	(14,385,592)
Charged to equity	-	-	-	-	-	(338,618)	9,137	(329,481)
At 31 December 2020	**(470,081)**	**(448,176)**	**2,629,641**	**(44,971,930)**	**10,298**	**20,015**	**115,701**	**(43,114,532)**

Deferred assets amounting to Ushs 43.1 bn (2019: Ushs 36.9 bn) bn in respect to carry forward tax losses of Ushs 155 bn (2019: Ushs 98 bn) have been recognised. In the opinion of the Directors, the Bank is projected to have sufficient future taxable future profits to utilise the tax credits.

Notes to the Financial statements (Continued)

29. Deposits due to other banks

	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
Deposits due to other banks	1,844,762	1,853,337
	1,844,762	**1,853,337**

30. Customer deposits

Deposits due to customers primarily comprise savings deposits, amounts payable on demand, and term deposits.

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
Demand deposits	265,509,422	343,730,928	265,634,604	343,885,527
Time deposits	218,141,135	223,380,500	218,141,135	223,380,500
Savings accounts	122,752,342	106,348,547	122,752,342	106,348,547
	606,402,899	**673,459,975**	**606,528,081**	**673,614,574**
Sector analysis				
Private enterprises and individuals	520,057,077	587,114,153	520,182,259	587,268,752
Government and parastatals	86,345,822	86,345,822	86,345,822	86,345,822
	606,402,899	**673,459,975**	**606,528,081**	**673,614,574**
Segment analysis				
Corporate	354,748,260	389,920,847	354,873,442	390,075,446
Retail	251,654,639	283,539,128	251,654,639	283,539,128
	606,402,899	**673,459,975**	**606,528,081**	**673,614,574**

31. Other liabilities

The other liabilities mentioned below relates to margins held for off balance sheet items, transit liability accounts and statutory deductions payable among others.

The margin and transit liability accounts do not attract any interest rate. They are cash collateral accounts for the off balance sheet items.

	2020 Ushs '000	2019 Ushs '000	2020 Ushs '000	2019 Ushs '000
	Consolidated		Separate	
Provisions and accruals	7,213,403	3,601,031	7,089,593	3,460,637
Other	8,298,554	11,606,451	8,288,505	11,586,217
IFRS 9 impairment for off balance sheet items	118,356	372,285	118,356	372,285
Total	**15,630,313**	**15,579,767**	**15,496,454**	**15,419,139**

Notes to the Financial Statements (Continued)

32. Lease liability

	2020	2019
	Ushs '000	Ushs '000
	Consolidated and Separate	
Lease liability	5,810,614	9,307,287
	5,810,614	**9,307,287**

Lease liability	Ushs'000	Ushs'000
	Consolidated and separate	
As at 1 Jan	9,307,287	11,243,878
Increase in lease liability	927,261	894,690
Payments	(2,192,472)	(2,831,281)
Disposal	(2,231,462)	-
As at 31 Dec 2020	**5,810,614**	**9,307,287**

Below is the maturity analysis of the gross undiscounted contractual cash flows that relate to the unpaid lease rentals

	2020	2019
	Ushs'000	Ushs'000
Year 1	2,352,928	-
Year 2	1,316,288	-
Year 3	1,529,281	2,612,158
Year 4	671,536	1,373,760
Year 5	-	2,844,525
Onwards	410,544	2,476,844
Total	**6,280,577**	**9,307,287**

33. Issued capital

	Total value of shares
Consolidated and Separate	Ushs '000
2020	
At 1 January 2019 and December 2020	96,750,000
At 31 December 2020	**96,750,000**
2019	
At 1 January 2018 and December 2019	96,750,000
At 31 December 2019	**96,750,000**

The total number of ordinary shares paid up at year-end was 96.75 million (2019: 96.75 million) with a par value of Ushs 1,000 per share (2019: Ushs 1,000 per share). The total number of ordinary shares authorised for issue is 100 million.

Notes to the Financial Statements (Continued)

Refer to the Capital management note for the additional share capital disclosure.

Number of shares	2020 Millions	2019 Millions
	Consolidated and Separate	
At 1 January	97	97
Increase in shares	-	-
As at 31 December	97	97

34. Revaluation reserve

The revaluation reserve shows the effects from the revaluation of buildings after deduction of deferred income taxes. Changes in the revaluation surplus may be transferred to retained earnings in the subsequent periods as the asset is used or when it is derecognised. The revaluation reserve relates to surplus on revalued property and is not available for distribution to shareholders.

	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
At start of year	1,564,041	1,831,835
Transfer of excess depreciation net of tax	(368,578)	(267,794)
At end of year	**1,195,463**	**1,564,041**

35. Credit risk reserve

The statutory credit risk reserve represents an appropriation of retained earnings to comply with the Financial Institutions Act, 2004. The balance in the reserve represents the extent to which provisions for loan losses determined in accordance with the Financial Institutions Act, 2004 exceed amounts determined in accordance with IFRS. The reserve is not distributable.

Below is the reconciliation of the statutory credit risk reserve per the Bank of Uganda guidelines and per IFRS:

	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
Provisions as per Bank of Uganda guidelines		
Specific provisions	35,967,884	25,886,774
General Provisions	3,355,707	4,148,579
	39,323,591	**30,035,353**
Provisions as per IFRS guidelines (Note 22)		
IFRS 9 Expected credit loss	21,949,006	16,199,476
Statutory credit risk reserve	**17,374,585**	**13,835,877**

36. Dividends payable

The directors do not recommend the payment of dividends for the year (2019: Nil).

Notes to the Financial Statements (Continued)

37. Commitments and contingent liabilities

The Bank is a litigant in several cases which arise from normal day to day banking. The Directors have carried out an assessment of all the cases outstanding as at 31 December 2020 - supported by independent professional legal advice - and where considered necessary based on the merits of each case, a provision has been raised. Below is the schedule of movement in the legal provision:

Provision for legal cases

	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
As at 1 Jan	563,396	1,178,623
Increase in provision	1,545,691	1,189,106
Decrease in provision (payments and adjustments)	-	(1,804,333)
As at 31 Dec	**2,109,087**	**563,396**

Provision for fraud

	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
As at 1 Jan	-	-
Increase in provision	272,524	91,872
Decrease in provision (payments and adjustments)	(22,770)	(91,872)
As at 31 Dec	**249,754**	-

Provision for audit fees

	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
As at 1 Jan	145,170	83,148
Increase in provision	449,023	568,254
Decrease in provision (payments and adjustments)	(473,035)	(506,232)
As at 31 Dec	**121,158**	**145,170**

Provision for directors' fees

	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
As at 1 Jan	-	-
Increase in provision	832,653	791,402
Decrease in provision (payments and adjustments)	(616,628)	(791,402)
As at 31 Dec	**216,025**	-

Provision for untaken leave

	2020 Ushs '000	2019 Ushs '000
	Consolidated and Separate	
As at 1 Jan	600,000	-
Increase in provision	-	600,000
Decrease in provision (payments and adjustments)	(350,000)	-
As at 31 Dec	**250,000**	**600,000**

Notes to the Financial Statements (Continued)

38. Commitments and contingent liabilities (Continued)

The Directors believe that the resolution of pending legal cases will not give rise to losses above amounts already provided. In addition to those cases provided for, there are cases with possible liabilities which the directors do not consider probable to result in further liability to the group.

Capital commitments

At 31 December 2020, the Bank had capital commitments of nil (2019: Ushs 358 m).

Loan commitments, guarantee and other financial facilities

In common with other banks, the Bank conducts business involving acceptances, letters of credit, guarantees and performance bonds. The majority of these facilities are offset by corresponding obligations of third parties.

	2020	2019
	Ushs '000	Ushs '000
	Consolidated and Separate	
Loan commitments	32,899,157	30,817,765
Performance Bonds	3,383,358	3,705,762
Guarantees	27,741,577	45,063,649
Foreign currency contracts	439,178	2,192
Legal cases	637,390	-
Documentary and letters of credit	17,383,226	23,320,960
Total	**82,483,886**	**102,910,328**

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Amortised cost	38,566	23,867	-	62,433
Impairment	**38,566**	**23,867**	-	**62,433**

Letters of Credit	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Amortised cost	40,540	-	-	40,540
Impairment	40,540	-	-	40,540

OD Commitments	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2020	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Amortised cost	9,346	-	-	9,346
Impairment	9,346	-	-	9,346

Expected credit loss on off balance sheet items:

	Stage 1	Stage 2	Stage 3	Total
At 31 December 2020	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Guarantees	38,566	23,867	-	62,433
Letters of credit	40,540	-	-	40,540
OD Commitments	9,346	-	-	9,346
Total	**88,452**	**23,867**	-	**112,319**

Notes to the Financial Statements (Continued)

Commitments and contingent liabilities (Continued)

Guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 31 December 2019	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Amortised cost	258,095	-	-	41,091,217
Impairment	258,095	-	-	41,091,217

Letters of Credit	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 31 December 2019	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Amortised cost	77,237	-	-	77,237
Impairment	77,237	-	-	77,237

OD Commitments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 31 December 2019	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Amortised cost	14,374	-	-	14,374
Impairment	14,374	-	-	14,374

	Stage 1	**Stage 2**	**Stage 3**	**Total**
At 31 December 2019	**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Guarantees	258,095	-	-	258,095
Letters of credit	99,815	-	-	99,815
OD Commitments	14,374	-	-	14,374
Total	**372,285**	-	-	**372,285**

39. Related-party disclosures

During the year 31 December 2020, a majority of the Bank's shares were held by:

Shareholders' Name	**% of Total Shareholdings**
Morka Holdings Limited	33.19%
Ketan Morjaria	7.91%
Cornerstone M8 Limited	42%

Transactions and balances with related parties as at the year-end were as follows:

a) Related party balances

	2020	**2019**
	Ushs '000	**Ushs '000**
Deposits from directors and shareholders	21,456,178	34,788,249
Deposits from Equity Stock Brokers Ltd	142,048,436	45,262

b) Related party transactions

	2020	**2019**
	Ushs'000	**Ushs'000**
Interest:		
Interest paid to related parties/directors	877,845	186,000
Interest paid to Equity Stock Brokers Ltd	5,182	4,757
Directors' remuneration		
Directors' fees	890,137	731,402
Other emoluments	59,659	484,276
	949,796	**1,406,435**

Notes to the Financial Statements (Continued)

b) Key management compensation-Orient Leadership Team	2020	2019
	Ushs '000	Ushs '000
Salaries and short-term benefits	1,166,600	845,064
Defined contribution benefits	81,662	59,154

40. Subsequent events disclosure

On 28 December 2020, shareholders passed a resolution to increase the authorized share capital from Ushs 100,000,000,000 to Ushs 115,000,000,000 and agreed to provide funds up to Ushs 15,000,000,000 as addition to the Bank's existing authorized share capital. The notification to increase the nominal capital of the Bank was filed with Uganda Registration Services Bureau on 29 January 2021 and additional funds toward share capital amounting to Ushs 14,700,000,000 was transferred to the Bank on 2 February 2021. The additional funds remediated the breach of core capital and total capital ratio subsequent to the reporting date.