ANNUAL REPORT | 2019

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ANNUAL REPORT AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2019

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CORPORATE INFORMATION

DIRECTORS

Mr. Michael Cook	Chairman	British
Mr. Ketan Morjaria	Vice-Chairman	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	Non Executive Director	Chinese
(Alternative: Mr. Jay Karia)		
Mr. Julius Kakeeto	Managing Director (Resigned 3rd October 2019)	Ugandan
Mr. Kumaran Pather	Managing Director (Appointed 1st January 2020)	South African
Ms. Darshana Bhatia	Executive Director	Indian

COMPANY SECRETARY

Nicholas Ecimu
c/o Sebalu & Lule Advocates
Certified Public Secretaries (Uganda)
P. O. Box 2255,
Kampala

COMPANY LAWYERS

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

INDEPENDENT AUDITORS

Deloitte & Touche
Certified Public Accountants
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,
Kampala

OUR BRANCH NETWORK

Branches

Head Office/ Main Branch
Orient Plaza, Plot 6/6A Kampala Road
P.O. Box 3072, Kampala

Acacia Branch
Acacia Mall - Kisementi
Plot 16/17 Wampewo Avenue

Arua Branch
Plot 12 Avenue Road
Arua Municipality

Ben Kiwanuka Branch
Haider Plaza - Ben Kiwanuka Street
Kampala

Bweyogerere Branch
Mamerito House, Jinja Road,
Bweyogerere

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

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

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

Gulu Branch
Plot 15 Awere Road
Gulu

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

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

Katwe Branch
Muganzirwazza Plaza - Kibuye
Kampala

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

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

Kisekka Branch
Lohana Arcade
Plot 70-76, Nakivubo Rd

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

Makerere Branch
Ham Shopping Mall, Makerere Hill Road
P.O. Box 409, Kampala

Mbale Branch
Plot 23, Naboa Road
Mbale municipality

Mbarara Branch
Plot 73 High Street
Mbarara

Nakivubo Branch
HAM Shopping Mall, Nakivubo Road
Kampala

Ntinda Branch
Capital Shoppers Mall
P.O. Box 3072 Kampala

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

ABOUT US

Orient Bank is a leading private sector commercial bank in Uganda. We began operations in 1993 and have grown steadily due to our professional management, prudent lending and investment policies.

Our Vision

To be the pace setter and preferred financial partner for our stakeholders

Our Mission

To deliver service that provides superior value to our customers

OUR VALUES | We summarise our core values as **SPIRIT**

Service

We provide service that is timely, helpful, friendly and convenient

Resilience

We are strong, determined and adapt to the world around us

Passion

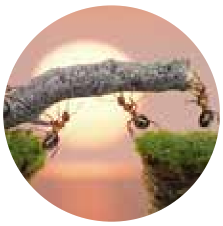
We are enthusiastic and self motivated to excel in all that we do

Integrity

We are honest, open and straightforward with our colleagues, customers, investors, regulators and community

Innovation

We are open-minded and constantly striving to improve our processes, platforms and offerings



Teamwork

We are collaborative and combine our collective knowledge and skills to outperform our competitors

OUR PRODUCT PORTFOLIO

We are a customer focused bank and have developed tailor-made products to efficiently and effectively meet our customers needs.

CURRENT ACCOUNTS

- Current Account (Personal & Business)
- SME Daily Account
- Foreign Currency Account (Personal & Business)
- Kyakala Account (Personal & Business)
- Premium Account
- Sapphire Account

SAVINGS ACCOUNTS

- Classic Saving Accounts
- Dollar Savings Account (DOSA)
- Future Children's Savings Account
- CHAMA Investment Club Account
- Diaspora Account
- Target Savings Account

RETAIL CREDIT

- SME Loans

TRADE FINANCE

- Letters of Credit
- Guarantees/Bid Bonds

CORPORATE CREDIT

- Commercial Loans
- Overdrafts
- Guarantees/Perfomance/Bid Bonds

INTERNATIONAL CURRENCY SERVICES

- Foreign Currency Accounts
- Telegraphic Transfer
- Forex

OTHER SERVICES

We have considerable experience in the provision of customer payments and cash management services for big organizations both local and foreign which includes;

- Salary Processing
- Internal transfers
- Safe custody
- Collections - Bill Payments (URA taxes, UMEME, NWSC bills, KCCA charges, NSSF)

OUR DELIVERY CHANNELS

Internet Banking:
This is a service that has been designed to enable our customers transact via the Internet. With this service, customers are able to check their account details, view and download account statements, and make internal transfers.

Automated Teller Machines (ATMs):
We currently have 24 ATMs strategically located in several towns across the country. Customers can withdraw money and deposit cash/cheques at the ATM. These ATMs accept VISA, MasterCard and UnionPay cards and are linked to Interswitch.

Point of Sale (POS) Machines:
Orient Bank gives one easy access to their money through our Point of Sale (POS) machines which enable the bank's customers to pay for goods and services using their Orient Bank VISA CHIP and PIN debit Cards. These POS terminals are very strategically positioned at many merchants places of business and they accept VISA, MasterCard and UnionPay.

Mobile Banking:
Orient Bank gives you a finger-tip convenient way of banking. By dialing *200# customers can use their mobile phone to check account balances, pay bills, deposit and withdraw money, top up airtime among others.

ORIENT VISA CHIP AND PIN:
Our Visa card offers immense opportunities and access to a world of possibilities. Our VISA card is inbuilt with a chip and pin facility which allows for online transactions while enhancing the security features of the card. It can be used used worldwide at any VISA outlet.

OUR BRANCH NETWORK:
Orient Bank boasts of 22 branches spread across the four main regions of Uganda, including central, eastern, western and nothern region. Customers can therefore access the bank's products and services from any Orient bank branch.

fastpay®
The fastest way to pay

The Orient Fastpay Mobile Banking app puts all your banking needs in the palm of your hands.

The app allows you to;
View balances and statements, transfer money, make domestic and international payments, control your VISA card, locate Orient bank branches and ATMs among others.

Xpresspay®
Secure Online Payments

Xpresspay is a secure platform that enables any business to conveniently receive online payments from anywhere in the world.

Accepting;
VISA mastercard UnionPay 银联

ORIENT Bancassurance

This is a platform which enables Orient Bank to sell insurance services to our customers.

The areas covered include;
Motor insurance, SME Cover, Travel insurance and Life insurance

Orient Bancassurance is regulated by The Insurance Regulatory Authority of Uganda.

CORPORATE SOCIAL INVESTMENT

ORIENT BANK TRAINS SMES

Orient Bank trained 35 SMEs in the 2019/2020 cohort of the Orient Business Academy. The academy is run in partnership with Makerere Business School – Entrepreneurship Centre (MUBS-EC). The aim of this program is to facilitate young entrepreneurs with financial literacy and business management skills to enable their businesses thrive in the competitive business environment.

The academy covers; Entrepreneurial Mind-set, Operations Planning, Market Analysis, Book Keeping, Sales & Marketing, Financial Planning, Human Resource Management and Financial Reporting. In the past three years, over 100 small scale business owners have been trained and some rewarded with financial support of up to shs120 million.

Dr Diana Ntamu, the Director Makerere University Business School Entrepreneurship Centre takes the trainees through Entrepreneurial mindset

ORIENT BANK JOINS THE MOVE TO RAISE FUNDS FOR MATERNAL HEALTH

As a way of giving back to the community and promoting staff wellness, engagement and team building, Orient Bank staff participated in the 16th edition of the MTN Kampala Marathon.

This annual charity run is aimed at raising funds towards improving maternal health services across the country.

ORIENT BANK SUPPORTS VULNERABLE CHILDREN THROUGH GOLF

Orient Bank participated in the annual charity golf tournament that took place on 13th April 2019 at the Lake Victoria Serena Resort, Kigo. The tournament was organised by the Royal Masonic Lodges. The funds from this event went towards supporting the vulnerable children at Kampala School for the Handicapped Children, Kawempe Home Care and Salama School for the Blind in Mukono.

The bank was represented by the Head of Business Development, Tashin Morjaria (2nd L), Head of Corporate Banking, Kenneth Kisambira (R) and Aamir Hussein - Relationship Manager Corporate Banking (L).

BOARD OF DIRECTORS

MICHAEL COOK
Chairman

Michael Cook was a senior career diplomat and a former British High Commissioner to Uganda, with a wide range of political and commercial experience in Scandinavia, the Caribbean, Turkey and Africa. After retiring from the Diplomatic Service he was a member of a commission established by David Cameron before he became British Prime Minister, to advise on future aid policy.

KETAN MORJARIA
Vice Chairman

Cr Ri Co Al

Mr. Morjaria is a founder and Board Member of both Orient Bank and Credit Bank in Kenya, and a strategic shareholder in both institutions. He has wide experience in commerce and property development in Africa, the United Kingdom, and the Middle East. He is a member of the Institute of Chartered Accountants of England and Wales and the Institute of Certified Public Accountants of Uganda.

KUMARAN PATHER
Managing Director/CEO

Cr Al Ri

Kumaran is a seasoned banking executive with experience in Retail Business Banking spanning over two decades across seven countries. He started his banking career in South Africa before he moved to Botswana as Barclays' Retail Director. He is reputed with building winning Banking strategies that have led to transformative business performance throughout his career. He was most recently the Retail Business Banking Director at Barclays Uganda. He holds an MBA from the University of Johannesburg and has attended Executive Leadership Programs in South Africa and at Cass Business School in London.

HEMEN SHASHIKANT SHAH
Non Executive Director

Ri Al Co Cr

Mr. Hemen Shah is a graduate of Harvard University and a professional banker with over 23 years of cognitive experience. Mr. Shah has held several Board memberships including Directorships on the Boards of; SCB Sierra Leone, Gambia, Cameroon, Ghana and Chairman, Board of Directors for Standard Chartered Bank Cote d'Ivoire. Mr. Shah is a founding partner and Board member of 8 miles LLP.

JORAM KAHENANO
Non Executive Director

Au Ri

Mr. Kahenano is a Fellow of the Uganda Institute of Bankers and a Fellow of Chartered Institute of Bankers. He has held various director positions in Bank of Uganda where he worked for 36 years. He has in addition served on various Boards including Uganda Institute of Bankers, Makerere University, Mengo Hospital, Church of Uganda and Uganda Christian University. Joram is currently a trustee of Uganda Small Scale Industries.

Al Member of Asset and Liability Committee
Cr Member of Credit Committee
Au Member of Audit Committee

FRANCIS MAGEMBE BYARUHANGA

Co Cr Au

Non Executive Director

Mr. Byaruhanga holds a Masters Degree in Business Administration. He has over 25 years experience in the areas of Management, Finance, Accounting, Procurement and Logistics Management. He has worked with rural water and sanitation project on an executive level and was a Director Road Agency Formation Unit.

ZHONG SHUANG QUAN

Al

Non Executive Director

Mr. Zhong Shuang Quan holds a Bachelors of Arts in Business Management from the Sichuan Normal University. He is a prominent Businessman with diversified interests in East Africa, Asia and other parts of the world specializing in the fields of Manufacturing household plastics, Large Scale Rice farming, Import Trade in household goods and Road Transport. He has Managerial experience in Trade and Manufacturing Enterprise.

JAY KARIA

Al

Alternative - Non Executive Director

Mr. Karia is a business magnate with over 25 years diversified exposure in London, Kenya and Uganda. He has served in several managerial capacities as Manager Lloyds Exports UK, Manager Kabril Limited UK. He has also severed on several boards including Lloyds Exports and, Kabril Limited- in London UK, Orion FXB Ltd and Credit Bank in Nairobi Kenya.

DARSHANA BHATIA

Cr Al Ri

Executive Director

Ms. Bhatia is a member of the Institute of Chartered Accountants of India. She previously worked as Head of Finance at Exim Bank. Prior to that, Darshana worked as Head of Finance at Orient Bank from 2006 to 2013. She holds a Bachelor's Degree in Commerce – Financial Accounting & Auditing from the University of Mumbai. She is also a member of the Institute of Cost & Works Accountants of India & the Institute of Certified Public Accountants of Uganda.

NICHOLAS ECIMU

Company Secretary

Mr. Ecimu practices law with Sebalu & Lule Advocates, a premier corporate and commercial law firm, where he is a Partner. He has previously served with the Privatisation & Utility Sector Reform Project (PUSRP) in Uganda's Ministry of Finance, Planning and Economic Development and was attached to Edward Nathans Sonnenbergs, one of South Africa's premier law firms, as visiting Attorney in 2006.

Ri Member of Risk/Compliance Committee | Co Member of Compensation Committee | Committee Chairman

EXECUTIVE COMMITTEE

KUMARAN PATHER
Managing Director/CEO

DARSHANA BHATIA
Executive Director

TASHIN MORJARIA
Head of Business Development

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated and separate financial statements of the Orient Bank Limited (the "Bank") and its subsidiary, Equity Stock Brokers Limited (together ''the Consolidated") for the year ended 31 December 2019.

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 1,053 million (2018: profit of Ushs 5,555 million) and Ushs 1,075 million (2018: profit of Ushs 5,516 million) respectively has been transferred to retained earnings. The directors do not recommend payment of dividend for the year (2018: 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 2019, the Board of Directors consisted of 8 members.

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.

REPORT OF THE DIRECTORS (continued)

c) Remuneration and Nominations Committee (continued)

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.

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 auditors, Deloitte & Touche, Certified Public Accountants of Uganda have expressed their willingness to continue in office in accordance with section 167(2) of the Ugandan Companies Act, 2012.

BY ORDER OF THE BOARD

Secretary
Nicholas Ecimu
C/O Sebalu & Lule Advocates, Kampala

STATEMENT OF DIRECTORS' RESPOSIBILITIES

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 2019 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;

Michael Cook	**Ketan Morjaria**	**Julius Kakeeto**	**Nicholas Ecimu**
Chairman	Vice Chairman	Managing Director/ CEO	Company Secretary

Deloitte.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ORIENT BANK LIMITED

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Orient Bank Limited and its subsidiary (together "the Group"), as set out on pages 15 to 118. These Consolidated and Separate financial statements ("the financial statements") comprise the Consolidated and Separate Statements of financial position as at 31 December 2019, 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 Group and separate financial statements present fairly the state of the financial affairs of the Consolidated and Bank as at 31 December 2019, and of their financial performance and cash flows for the year then ended 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 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.

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 2019, the gross loans to customers amounted to Ushs 322 billion, contributing 40% of the bank's total assets. Expected Credit losses of Ushs 16.21 billion were assessed against the loans and advances to customers. Refer to Note 22 to the financial statements	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.

INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF ORIENT BANK LIMITED (continued)
Key audit matter (continued)

Key Audit Matter	How the matter was addressed in the audit
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 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.

Deloitte.

Responsibilities of directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the Consolidated and Separate financial statements ("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 Consolidated and Separate 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 ("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 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.
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.

INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF ORIENT BANK LIMITED (continued)
Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

Deloitte.

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

Report on other Legal Requirements

As required by the Uganda Companies Act, 2012, we report to you based on our audit, that:
We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of the audit;

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

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
Norbert Kagoro
Partner
29th April 2020
Kampala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4634 4419 1390 4029
4634
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ORIENT
BANK
Ts & Cs Apply. Orient Bank is regulated by the Central Bank of Uganda. Deposits are protected by the Deposit Protection Fund of Uganda

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		CONSOLIDATED		SEPARATE	
	Note	2019 Ushs'000	2018 Ushs'000	2019 Ushs'000	2018 Ushs'000
Interest and similar income	5	61,560,569	64,809,704	61,552,182	64,809,704
Interest and similar expenses	5	(21,281,641)	(20,294,498)	(21,281,641)	(20,294,498)
Net interest income		40,278,928	44,515,206	40,270,541	44,515,206
Net fee and commission income	6	22,032,719	21,471,517	21,713,047	21,206,565
Net trading gains	7	4,079,242	3,195,908	4,079,242	3,195,908
Revenue		66,390,889	69,182,631	66,062,830	68,917,679
Impairment charges	8	(17,935,987)	(6,579,569)	(17,935,987)	(6,579,569)
Employee benefits expenses	9	(18,642,896)	(18,373,328)	(18,537,498)	(18,242,356)
General and administrative expenses	10	(13,385,115)	(14,995,465)	(13,382,615)	(14,984,865)
Other operating expenses	12	(25,098,850)	(21,334,474)	(24,907,215)	(21,259,824)
Finance cost	13	(894,690)	-	(894,690)	-
(Loss)/Profit before income tax		(9,566,649)	7,899,795	(9,595,175)	7,851,065
Income tax credit/(expense)	14	8,513,466	(2,344,546)	8,519,579	(2,335,003)
(Loss)/Profit for the year		(1,053,183)	5,555,249	(1,075,596)	5,516,062
Other comprehensive income that will not be reclassified to the statement of profit or loss					
Equity stock brokers at fair value	21	-	-	355,213	407,422
Deferred income tax on fair value		-	-	(106,564)	(122,226)
Other comprehensive income for the year, net of tax		-	-	248,649	285,196
Total comprehensive (loss)/income for the year		(1,053,183)	5,555,249	(826,947)	5,801,258

(Loss)/Profit attributable to:

		2019 Ushs'000	2018 Ushs'000
Owners of the company		(1,057,666)	5,547,412
Non-controlling interests		4,483	7,837
		(1,053,183)	5,555,249

Total comprehensive (loss)/income for the year attributable to:

		2019 Ushs'000	2018 Ushs'000
Owners of the company		(1,057,666)	5,547,412
Non-controlling interests		4,483	7,837
		(1,053,183)	5,555,249

The notes on pages 21 to 118 form an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	CONSOLIDATED		SEPARATE	
		2019 Ushs'000	2018 Ushs'000	2019 Ushs'000	2018 Ushs'000
Assets					
Cash and balances with Central Bank	16	229,295,518	163,256,415	229,295,518	163,256,415
Deposits and balances due from banking institutions	18	121,100,312	100,824,140	121,100,312	100,814,159
Derivative financial assets	19	2,192	558,500	2,192	558,500
Government securities	20	76,197,061	93,567,945	75,837,138	93,191,471
Investment in subsidiary	21	-	-	435,213	487,422
Loans and advances to customers	22	305,516,940	334,103,271	305,516,940	334,103,271
Other assets	23	20,588,951	12,873,816	20,422,177	12,722,029
Current income tax recoverable	24	20,158	-	-	-
Property and equipment	25	10,748,176	13,423,459	10,746,369	13,421,651
Right of use assets	27	9,728,843	-	9,728,843	-
Intangible assets	26	4,035,100	5,379,898	4,035,100	5,379,898
Deferred income tax asset	28	37,068,876	25,869,200	36,960,123	25,746,973
Total assets		814,302,127	749,856,644	814,079,925	749,681,789
Liabilities					
Customer deposits	30	673,459,975	618,019,250	673,614,574	618,079,011
Deposits due to other banks	29	1,853,337	1,434,289	1,853,337	1,434,289
Derivative financial instruments	19	1,747	1,250	1,747	1,250
Refinance loans	31	-	63,116	-	63,116
Current income tax payable	24	-	1,245,759	-	1,250,799
Other liabilities	32	15,579,767	14,277,859	15,419,139	14,195,957
Lease liability	33	9,307,287	-	9,307,287	-
Deferred income tax liability	28	-	542	-	-
Total liabilities		700,202,113	635,042,065	700,196,084	635,024,422
Capital and reserves					
Issued capital	34	96,750,000	96,750,000	96,750,000	96,750,000
Revaluation reserve	35	1,564,041	1,831,836	1,564,041	1,831,836
Credit risk reserve	36	13,835,877	-	13,835,877	-
Fair value reserve	21	-	-	248,648	285,196
Retained earnings		1,842,384	16,129,514	1,485,275	15,790,335
Equity attributable to owners of the Bank		113,992,302	114,711,350	113,883,841	114,657,367
Non-controlling interests		107,712	103,229	-	-
Total equity		114,100,014	114,814,579	113,883,841	114,657,367
Total equity and liabilities		814,302,127	749,856,644	814,079,925	749,681,789

The Consolidated and separate financial statements were authorised for issue by the Board of Directors on 23rd April 2020 and signed on its behalf by:

Michael Cook	**Ketan Morjaria**	**Julius Kakeeto**	**Nicholas Ecimu**
Chairman	Vice Chairman	Managing Director/ CEO	Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital Ushs'000	Revaluation reserve Ushs'000	Credit risk reserve Ushs'000	Retained earnings Ushs'000	Total attributable to equity holders of the parent Ushs'000	Non-controlling interest Ushs'000	Total equity Ushs'000
	(Note 34)	(Note 35)	(Note 36)				
Year ended 31 December 2018							
At start of year as previously stated	96,750,000	2,434,811	-	13,801,980	112,986,791	95,392	113,082,183
IFRS 9 transitional adjustment (note 2.4a)	-	-	-	(5,531,334)	(5,531,334)	-	(5,531,334)
Deferred income tax thereon	-	-		1,659,400	1,659,400	-	1,659,400
Restated at 1 January 2018	96,750,000	2,434,811	-	9,930,046	109,114,857	95,392	109,210,249
Profit for the year	-	-	-	5,547,412	5,547,412	7,837	5,555,249
Total comprehensive income for the year	-	-	-	5,547,412	5,547,412	7,837	5,555,249
Transfer of excess depreciation to retained earnings	-	(652,056)	-	652,056	-	-	-
Deferred income tax thereon	-	49,081	-	-	49,081	-	49,081
As at 31 December 2018	96,750,000	1,831,836	-	16,129,514	114,711,350	103,229	114,814,579
Year ended 31 December 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)/Profit 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

The IFRS 9 transition adjustment related to on and off balance sheet items.

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
	(Note 34)	(Note 35)	(Note 36)			
2018						
At start of year as previously stated	96,750,000	2,434,811	-	13,494,151	-	112,678,962
IFRS 9 transitional adjustment (note 2.4a)	-	-	-	(5,531,334)	-	(5,531,334)
Deferred income tax thereon	-	-	-	1,659,400	-	1,659,400
Restated at 1 January 2018	96,750,000	2,434,811	-	9,622,217	-	108,807,028
Profit for the year	-	-	-	5,516,062	-	5,516,062
Other comprehensive income (note 21)	-	-	-	-	285,196	285,196
Total comprehensive income for the year	-	-	-	5,516,062	285,196	5,801,258
Transfer of excess depreciation to retained earnings	-	(652,056)	-	652,056	-	-
Deferred income tax thereon	-	49,081	-	-	-	49,081
As at 31 December 2018	96,750,000	1,831,836	-	15,790,335	285,196	114,657,367
2019						
At start of year	96,750,000	1,831,836	-	15,790,335	285,196	114,657,367
(Loss)/Profit for the year	-	-	-	(1,075,596)	-	(1,075,596)
Other comprehensive income (note 21)	-	-	-	-	(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 (note 35)	-	-	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

The IFRS 9 transition adjustment related to both on and off balance sheet items.

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

	Note	CONSOLIDATED		SEPARATE	
		2019 Ushs'000	2018 Ushs'000	2019 Ushs'000	2018 Ushs'000
Operating activities					
(Loss)/Profit before income tax		(9,566,649)	7,899,795	(9,595,175)	7,851,065
Adjustments:					
Depreciation	25	3,620,448	3,471,482	3,620,448	3,469,837
Amortisation of intangible assets	26	2,681,168	2,012,455	2,681,168	2,012,455
Right of use asset	27	3,010,727	-	3,010,727	-
Finance cost	13	894,690	-	894,690	-
Unrealised foreign exchange gain	7	445	(557,250)	445	(557,250)
Provision on litigation	38	1,189,106	1,575,800	1,189,106	1,575,800
Impairment charge on loans and advances	8(b)	17,935,987	6,579,569	17,935,987	6,579,569
(Loss)/Profit on disposal of property and equipment		62,171	(1,601)	62,171	(1,601)
Profit before changes in operating assets and liabilities		19,828,093	20,980,250	19,799,567	20,929,875
(Increase)/decrease in cash reserve requirement	16	(7,240,000)	(2,500,000)	(7,240,000)	(2,500,000)
Increase in deposits due to banking institutions		419,048	1,279,229	419,048	1,279,229
Decrease in derivative financial assets		556,307	989,117	556,307	989,117
(Increase)/Decrease in loans and advances		67,996,146	(23,323,195)	67,996,146	(23,323,195)
(Increase)/decrease in investment in government securities		(42,248,444)	(48,203,203)	(42,180,400)	(47,887,923)
Increase in other assets		(7,739,502)	(7,488,462)	(7,723,957)	(7,823,861)
Increase in customer deposits		55,440,725	62,865,281	55,535,563	62,865,281
Decrease in BOU refinance loan		(63,116)	(20,833)	(63,116)	(20,833)
(Decrease)/Increase in other liabilities		112,802	1,458,958	34,076	1,458,958
Increase in lease liability		9,307,287	-	9,307,287	-
Income taxes paid	24	(3,590,088)	(1,263,015)	(3,590,088)	(1,254,376)
		72,951,166	(16,206,123)	73,050,866	(16,217,603)
Net cash flows generated from operating activities		92,779,259	4,774,127	92,850,433	4,712,272
Financing activities					
Finance cost		(894,690)	-	(894,690)	-
Net cash flows used in financing activities		(894,690)	-	(894,690)	-
Investing activities					
Purchase of property and equipment	25	(928,935)	(7,417,927)	(928,935)	(7,415,607)
Proceeds from sale of property and equipment		74,483	4,513	74,483	4,513
Purchase of intangible assets	26	(1,336,370)	(599,114)	(1,336,370)	(599,114)
Net cash flows used in investing activities		(2,190,822)	(8,012,528)	(2,190,822)	(8,010,208)
Cash and cash equivalents at start of year		223,501,788	226,740,189	223,430,614	226,728,550
Net increase/(decrease) in cash and cash equivalents		89,693,747	(3,238,401)	89,764,921	(3,297,936)
Cash and cash equivalents at the end of the year	17	313,195,535	223,501,788	313,195,535	223,430,614

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 FIA 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 2019 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.

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 2019. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
2. Summary of significant accounting policies (continued)
2.3 Basis of consolidation (continued)

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 acquiree'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.

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES
Application of Revised International Financial Reporting Standards (IFRS's)

New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ended 31 December 2019

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow for early application) for the year ended 31 December 2019
- IFRS 17 Insurance Contracts
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IFRS 3 Business Combinations,
- IFRS 11 Joint Arrangements,
- IFRS 10 Consolidated Financial Statements and
- IAS 28 (amendments) Sale or contribution of Assets between an Investor and its Associate or Joint Venture

IFRS 17 Insurance Contracts
The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees. The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

The implementation of the Standard is not likely to have a material impact to the Bank's operations.
Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations the Annual Improvements include amendments to four Standards.

IAS 12 Income Taxes
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Bank does not anticipate that the application of the amendments in the future will have an impact on the Bank's financial statements

New and amended standards and interpretations adopted this year
The following new standards and amendments to IFRSs became mandatorily effective in the current year. The amendments generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Amendments to IFRS 9: Prepayment Features with Negative Compensation

IFRS 16 Leases
In these financial statements, the Bank has applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective (simplified) method of adoption with the date of initial application of 1 January 2019. Under this method, the Right of Use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019.

Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Bank has lease contracts for various branches. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease. Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all operating leases except for short-term leases and leases of low-value assets.

- Leases previously classified as finance leases

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of-use assets of Ushs 12.7 billion were recognised and presented in the statement of financial position within “Right-of-use assets”.
- Additional lease liabilities of Ushs 9.3 billion (included in “lease liabilities”) were recognised. See note 33.
- The adoption of IFRS 16 had no impact on the Bank’s retained earnings and no material impact on its capital adequacy ratio.

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

	2019 Ushs’000
Year 1	6,776,742
Year 2	4,444,649
Year 3	2,643,521
Year 4	1,439,700
Year 5	473,025
Onwards	509,532
Total	**16,287,169**

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets	Lease labilities from USD dollar contracts Ushs'000	Lease labilities from Ugx dollar contracts Ushs'000
Operating lease commitments as at 31 December 2018	4,201,262	10,990,027
Weighted average incremental borrowing rate as at 1 January 2019	15%	6.50%
Discounted operating lease commitments as at 1 January 2019	3,160,452	9,579,118
Less:		
Commitments relating to short-term leases	(736,753)	(2,695,530)
Commitments relating to leases of low-value assets	-	-
Add:		
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018		
Lease liabilities as at 1 January 2019	2,423,699	6,883,588

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances?

The Bank determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Bank applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Bank considered whether it has any uncertain tax positions.

The Bank determined, based on its tax compliance that it is not probable that its tax treatments will not be accepted by the taxation authorities.
The Interpretation did not have an impact on the financial statements of the Bank.

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years.

Impact on profit or loss	31 December 2019 Shs '000	31 December 2018 Shs '000
Increase in depreciation of right-of-use asset (1)	12,739,570	-
Increase in finance costs (1)	894,690	-
Decrease in other expenses (1)	3,010,727	-
Increase/(decrease) in profit for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
2. Summary of significant accounting policies (continued)
2.4 Changes in accounting policy and disclosures (continued)

Impact on assets, liabilities and equity as at 1 January 2019	As previously reported Shs '000	IFRS 16 adjustments Shs '000	31 Dec 2019 Shs '000
Right-of-use assets (1)	-	12,739,570	12,739,570
Net impact on total assets	-	-	12,739,570
Lease liabilities (1)	-	9,307,287	9,307,287
Net impact on total liabilities	-	-	3,432,283
Retained earnings	-	-	-

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate associated hedging instruments, the Bank assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion.

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

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.

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.

12-month expected credit losses

c. 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

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

e. 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:

i. When a credit facility has been maintained on Alert category (in line with the Credit Policy) for over 6 months;

ii. An actual or expected significant change in the financial instrument's external credit rating

iii. An actual or expected internal credit rating downgrade for the borrower;

iv. 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;

v. Actual or expected significant change in operating results of the borrower;

vi. Significant increase in credit risk on other financial instruments of the same borrower; and

vii. Significant changes in regulatory or technological environment of the borrower that may affect their ability to meet debt obligations.

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
2. Summary of significant accounting policies (continued)

2.10 Property and Equipment (continued)

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.

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	7.0%
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;
- 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.

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.

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.

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 remeasurement 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.

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 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.

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.
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.

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:

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Financial Risk Management (continued)

3.1 Credit Risk (continued)

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.

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:

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 December 2019	31 December 2018	
Derivative assets held for risk management	100%	100%	Cash
Reverse sale and repurchase agreements	100%	100%	Cash
Loans and advances to retail customers			
Secured	38%	57%	
Unsecured	62%	43%	
Loans and advances to corporate customers			
Secured	91%	96%	
Unsecured	9%	4%	

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.

	Total loan portfolio Ushs '000	Netting off agreements (cash secured) Ushs '000	Collateral less than 100% Ushs '000	Collateral over 100% Ushs '000
As at 31 December 2019				
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**
As at 31 December 2018				
Gross loans and advances	345,210,623	27,353,473	144,975,825	172,881,325
Total	**345,210,623**	**27,353,473**	**144,975,825**	**172,881,325**

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 expected 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.

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.

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.

	Year ended 2019				Year Ended 2018
	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000	IFRS 9 Total Shs'000
Loans and advances to customers at amortised cost					
Grade 1: Normal	237,598,804	9,256,020	19,835,998	266,690,822	268,854,013
Grade 2: Watch	-	14,833,932	-	14,833,932	66,101,919
Grade 3: Substandard	-	-	28,070,715	28,070,715	515,322
Grade 4: Doubtful	-	-	2,209,850	2,209,850	1,796,298
Grade 5: Loss	-	-	9,911,096	9,911,096	7,943,070
Total gross carrying amount	237,598,804	24,089,952	60,027,659	321,716,415	345,210,623
Loss allowance	(238,949)	(1,618,282)	(14,342,245)	(16,199,476)	(11,107,352)
Carrying amount	237,359,855	22,471,670	45,685,414	305,516,939	334,103,271

	Year ended 2018				Year Ended 2017
	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000	IAS 39 Total Shs'000
Loans and advances to customers at amortised cost					
Grade 1: Normal	253,370,123	11,009,639	4,474,251	268,854,013	289,341,691
Grade 2: Watch	1,326,995	64,696,272	78,653	66,101,919	16,488,700
Grade 3: Substandard	-	-	515,322	515,322	11,264,565
Grade 4: Doubtful	-	-	1,796,298	1,796,298	1,057,335
Grade 5: Loss	-	-	7,943,070	7,943,070	334,968
Total gross carrying amount	254,697,118	75,705,911	14,807,595	345,210,623	318,487,259
Loss allowance	(796,235)	(1,935,998)	(8,375,119)	(11,107,352)	(7,707,183)
Carrying amount	253,900,883	73,769,912	6,432,476	334,103,271	310,780,076

3.1.4 Concentration of risks of financial assets with credit risk exposure

Consolidated

At 31 December 2019	Financial institutions Ushs '000	Manufacturing Ushs '000	Real estate Ushs '000	Whole-sale & retail trade Ushs '000	Public sector Ushs '000	Others Ushs '000	Total 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	69,160,649	-	-	-	-	-	69,160,649
Government securities at FVTPL	7,036,412	-	-	-	-	-	7,036,412
Other assets	-	-	-	-	-	18,229,618	18,229,618
	392,298,424	41,851,154	49,834,735	98,221,761	-	133,838,908	716,044,982
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
	-	7,703,323	48,561,865	17,623,696	-	29,019,252	102,908,136
At 31 December 2018							
Balances with the Central Bank	116,134,635	-	-	-	-	-	116,134,635
Deposits and balances due from banking institutions	100,824,140	-	-	-	-	-	100,824,140
Loans to Retail customers:-	48,064,433	52,926,876	99,481,673	-	133,630,289	334,103,271	
Government securities at Amortised cost	87,625,918	-	-	-	-	-	87,625,918
Government securities at FVTPL	5,942,026	-	-	-	-	-	5,942,026
Other assets -	-	-	-	-	9,457,129	9,457,129	
	310,526,719	48,064,433	52,926,876	99,481,673	-	143,087,418	654,087,119
Credit risk exposures relating to off-balance sheet items are as follows:							
LCs, Guarantees and performance bonds	-	1,267,532	31,910,302	11,526,671	-	23,843,533	68,548,038
Loan commitments and other credit related obligations	-	3,524,930	5,177,269	8,119,530	-	16,771,646	33,593,375
	-	4,792,462	37,087,571	19,646,201	-	40,615,179	102,141,413

Separate

At 31 December 2019	Financial institutions Ushs '000	Manufacturing Ushs '000	Real estate Ushs '000	Whole-sale & retail trade Ushs '000	Public sector Ushs '000	Others Ushs '000	Total 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	-	-	-	-	-	18,062,845	18,062,845
	391,938,501	41,851,154	49,834,735	98,221,761	-	133,672,135	715,518,286
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
At 31 December 2018							
Balances with the Central Bank	116,134,635	-	-	-	-	-	116,134,635
Deposits and balances due from banking institutions	100,814,159	-	-	-	-	-	100,814,159
Loans and advances to customers	-	48,064,433	52,926,876	99,481,673	-	133,630,289	334,103,271
Government securities at Amortised cost	87,625,918						87,625,918
Government securities at FVTPL	5,942,026						5,942,026
Other assets	-	-	-	-	-	9,461,556	9,461,556
	310,516,738	48,064,433	52,926,876	99,481,673	-	143,091,845	654,081,565
Credit risk exposures relating to off-balance sheet items are as follows:							
LCs, Guarantees and performance bonds	-	1,267,532	31,910,302	11,526,671	-	23,843,533	68,548,038
Loan commitments and other credit related obligations	-	3,524,930	5,177,269	8,119,530	-	16,771,646	33,593,375
	-	4,792,462	37,087,571	19,646,201	-	40,615,179	102,141,413

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.

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 2019. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Consolidated

At 31 December 2019	USD Ushs '000	EUR Ushs '000	GBP Ushs '000	Other Ushs '000	Total Ushs '000
Assets					
Cash and balances with the Central Bank	156,526,268	1,441,768	4,032,090	67,295,392	229,295,518
Deposits and balances due from banking institutions	54,263,372	2,823,437	1,791,391	62,222,112	121,100,312
Derivative financial instruments	2,192				2,192
Investment in subsidiary					-
Loans and advances to customers	180,468,222	-	285	125,048,433	305,516,940
Other assets	11,621,883	32,119	29,806	8,905,143	20,588,951
Total financial assets	402,881,937	4,297,324	5,853,572	263,471,080	676,503,913
Liabilities					
Deposits from banks	-	-	-	1,853,337	1,853,337
Derivative financial instruments	1,747				1,747
Deposits from customers	390,790,002	3,628,568	5,701,117	273,340,288	673,459,975
Refinance loans				-	-
Other liabilities				15,579,767	15,579,767
Total financial liabilities	390,791,749	3,628,568	5,701,117	290,773,392	690,894,826
Net on-balance sheet financial position	12,090,188	668,756	152,455	(27,302,312)	(14,390,913)
Credit commitments	17,378,625	-	-	13,439,139	30,817,765
At 31 December 2018					
Assets					
Cash and balances with the Central Bank	64,857,191	1,954,368	2,863,069	523,749	70,198,377
Deposits and balances due from banking institutions	67,805,547	1,792,933	4,891,469	235,283	74,725,232
Derivative financial instruments	558,500	-	-	-	558,500
Loans and advances to customers	198,008,915	1,118	-	98,717	198,108,751
Other assets	2,725,489	32,236	12,044	-	2,769,769
Total financial assets	333,955,642	3,780,655	7,766,582	857,749	346,360,628
Liabilities					
Deposits from banks	-	-	-	-	-
Derivative financial instruments	1,250	-	-	-	1,250
Deposits from customers	321,221,969	3,738,323	7,882,331	202	332,842,825
Refinance loans	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	321,223,219	3,738,323	7,882,331	202	332,844,075
Net on-balance sheet financial position	12,732,423	42,332	(115,749)	857,547	13,516,553
Credit commitments	18,109,028	-	-	-	18,109,028

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Financial Risk Management (continued)

3.2 Market Risk (continued)

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

i. (Loss)/Profit before tax

At 31 December 2019	USD Ushs '000	EUR Ushs '000	GBP Ushs '000
(10%)	(1,209,019)	(66,876)	(15,246)
10%	1,209,019	66,876	15,246

At 31 December 2018	USD Ushs '000	EUR Ushs '000	GBP Ushs '000
(10%)	1,630,058	4,233	(11,575)
10%	(1,630,058)	(4,233)	11,575

ii. Equity

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

At 31 December 2018	USD Ushs '000	EUR Ushs '000	GBP Ushs '000
(10%)	3,284,604	18,785	40,542
10%	(3,284,604)	(18,785)	(40,542)

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.

Consolidated

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	Non Interest bearing 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	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	-	305,516,940
Other assets	-	-	-	-	-	20,588,951	20,588,951
Total financial assets	195,992,379	46,167,072	60,323,688	170,756,229	15,671,023	263,790,584	752,700,974
Property and equipment	-	-	-	-	-	10,748,176	10,748,176
Intangible assets	-	-	-	-	-	4,035,100	4,035,100
Deferred income tax asset	-	-	-	-	-	37,068,876	37,068,876
Total non-financial assets	-	-	-	-	-	51,852,152	51,852,152
Total assets	195,992,379	46,167,072	60,323,688	170,756,229	15,671,023	315,642,736	804,553,126
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	673,459,975
Refinance loans						-	-
	263,623,025	47,898,868	88,081,376	72,795	-	275,638,996	675,315,059
Other liabilities						15,579,767	15,579,767
Deferred income tax liability						-	-
Total financial liabilities	-	-	-	-	-	15,579,767	15,579,767
Total liabilities	263,623,025	47,898,868	88,081,376	72,795	-	291,218,763	690,894,826
Interest sensitivity gap	(67,630,646)	(1,731,796)	(27,757,688)	170,683,434	15,671,023	24,423,973	113,658,300

Consolidated

As at 31 December 2018	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	-	-	-	-	-	163,256,415	163,256,415
Deposits and balances due from banking institutions	89,617,354	-	-	-	11,206,785	-	100,824,140
Derivative financial instruments	-	-	-	-	-	558,500	558,500
Government securities at Amortised cost	4,983,807	16,862,126	18,788,397	45,991,589	1,000,000	-	87,625,919
Government securities at FVTPL	409,846	-	5,532,181	-	-	-	5,942,026
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	-	-	-	-	-	12,873,816	12,873,816
Total financial assets	160,672,742	58,459,558	74,441,415	219,745,134	15,176,507	176,688,731	705,184,087
Property and equipment	-	-	-	-	-	13,423,459	13,423,459
Operating lease prepayments	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	5,379,898	5,379,898
Deferred income tax asset	-	-	-	-	-	25,869,200	25,869,200
Total non-financial assets	-	-	-	-	-	44,672,557	44,672,557
Total assets	160,672,742	58,459,558	74,441,415	219,745,134	15,176,507	221,361,288	749,856,644
Liabilities							
Deposits from banks	1,434,289	-	-	-	-	-	1,434,289
Derivative financial instruments	-	-	-	-	-	1,250	1,250
Deposits from customers	266,928,352	42,371,887	108,051,108	316,658	-	200,351,244	618,019,250
Refinance loans	63,116	-	-	-	-	-	63,116
Other liabilities	-	-	-	-	-	14,277,859	14,277,859
Total financial liabilities	268,425,757	42,371,887	108,051,108	316,658	-	214,630,353	633,795,764
Other liabilities						1,245,839	1,245,839
Deferred income tax liability						542	542
Total non-financial liabilities	-	-	-	-	-	1,246,301	1,246,301
Total liabilities	268,425,757	42,371,887	108,051,108	316,658	-	216,876,654	635,042,065
Interest sensitivity gap	(107,753,015)	16,087,670	(33,609,693)	219,428,477	15,176,507	(37,548,980)	71,780,965

Bank

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	Non Interest bearing 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	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
Other assets	-	-	-	-	-	20,422,178	20,422,178
Total financial assets	195,632,456	46,167,072	60,323,687	170,756,228	15,671,023	263,623,811	752,174,277
Property and equipment	-	-	-	-	-	10,746,369	10,746,369
Intangible assets	-	-	-	-	-	4,035,100	4,035,100
Deferred income tax asset	-	-	-	-	-	36,960,348	36,960,348
Total non-financial assets	-	-	-	-	-	51,741,817	51,741,817
Total assets	195,632,456	46,167,072	60,323,687	170,756,229	15,671,023	315,365,402	803,915,869
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	-	275,637,249	673,614,575
Refinance loans						-	-
	263,777,624	47,898,868	88,081,376	72,795	-	275,638,996	675,469,659
Other liabilities	-	-	-	-	-	15,419,139	15,419,139
Deferred income tax liability	-	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	15,419,139	15,419,139
Total liabilities	263,777,624	47,898,868	88,081,376	72,795	-	291,058,135	690,888,797
Interest sensitivity gap	(68,145,168)	(1,731,796)	(27,757,689)	170,683,434	15,671,023	24,307,267	113,027,072

NOTES TO THE FINANCIAL STATEMENTS (continued)
3. Financial Risk Management (continued)
3.2 Market Risk (continued)

Bank

As at 31 December 2018	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	-	-	-	-	-	163,256,415	163,256,415
Deposits and balances due from banking institutions	71,594,669	10,952,890	18,266,600	-	-	-	100,814,159
Derivative financial instruments	-	-	-	-	-	558,500	558,500
Government securities at Amortised cost	4,983,806	16,485,652	18,788,397	45,991,589	1,000,000	-	87,249,444
Government securities at FVTPL	409,846	-	5,532,181	-	-	-	5,942,027
Loans and advances to customers	65,661,735	41,597,432	50,120,838	173,753,544	2,969,722		334,103,271
Investment in subsidiary	-	-	-	-	-	487,422	487,422
Other assets	-	-	-	-	-	12,722,029	12,722,029
Total financial assets	142,650,056	69,035,975	92,708,015	219,745,134	3,969,722	177,024,366	705,133,267
Property and equipment	-	-	-	-	-	13,421,651	13,421,651
Intangible assets	-	-	-	-	-	5,379,898	5,379,898
Deferred income tax asset	-	-	-	-	-	25,746,973	25,746,973
Total non-financial assets	-	-	-	-	-	44,548,522	44,548,522
Total assets	142,650,056	69,035,975	92,708,015	219,745,134	3,969,722	221,572,888	749,681,789
Liabilities							
Deposits from banks	1,434,289	-	-	-	-	-	1,434,289
Derivative financial instruments	-	-	-	-	-	1,250	1,250
Deposits from customers	266,928,352	42,371,887	108,051,108	316,658	-	200,411,005	618,079,011
Refinance loans	63,116	-	-	-	-	-	63,116
Other liabilities	-	-	-	-	-	15,446,756	15,446,756
Total financial liabilities	268,425,757	42,371,887	108,051,108	316,658	-	215,859,011	635,024,421
Other liabilities	-	-	-	-	-	-	-
Total non-financial liabilities	-	-	-	-	-	-	-
Total liabilities	268,425,757	42,371,887	108,051,108	316,658	-	216,859,011	635,024,421
Interest sensitivity gap	(125,775,701)	26,664,086	(15,343,093)	219,428,477	3,969,722	(38,442,002)	70,501,489

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

At 31 December 2019	Profit before tax Ushs '000	Equity Ushs '000
(10%)	(4,451,521)	(3,116,064)
10%	4,451,521	3,116,064
At 31 December 2018		
(10%)	(3,485,473)	(2,439,831)
10%	3,485,473	2,439,831

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
3. Financial Risk Management (continued)
3.3 Liquidity Risk (continued)

Consolidated

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
Refinance loans	-					-
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

Consolidated

As at 31 December 2018	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	163,256,415	-	-	-	-	163,256,415
Deposits and balances due from banking institutions	100,824,140	-	-	-	-	100,824,140
Derivative financial assets	558,500	-	-	-	-	558,500
Government securities at Amortised cost	4,983,807	16,862,126	18,788,397	45,991,589	1,000,000	87,625,918
Government securities at FVTPL	409,846	-	5,532,181	-	-	5,942,026
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	12,873,816	-	-	-	-	12,873,816
Total financial assets	348,568,258	58,459,558	74,441,415	219,745,132	3,969,721	705,184,086
Liabilities						
Deposits from banks	1,434,289	-	-	-	-	1,434,289
Derivative financial instruments	1,250	-	-	-	-	1,250
Deposits from customers	467,279,597	42,371,887	108,051,108	316,658	-	618,019,250
Refinance loans	63,116	-	-	-	-	63,116
Other liabilities	14,277,859	-	-	-	-	14,277,859
Total financial liabilities	483,056,112	42,371,887	108,051,107	316,659	-	633,795,764
On-balance sheet liquidity gap	(134,487,854)	16,087,671	(33,609,692)	219,428,473	3,969,721	71,388,322
Off-balance sheet items						
Loan commitments	6,170,692	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	1,573,394	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	10,183,128	35,410,564	26,413,877	-	102,141,414
Net Liquidity gap	(164,621,698)	5,904,543	(69,020,257)	193,014,596	3,969,721	(30,753,092)

NOTES TO THE FINANCIAL STATEMENTS (continued)
3. Financial Risk Management (continued)
3.3 Liquidity Risk (continued)

Bank

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	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
Other assets	20,422,178	-	-	-	-	20,422,178
Total financial assets	459,256,267	46,167,072	60,323,687	170,756,228	15,671,023	752,174,277
Liabilities						
Deposits from banks	-	1,853,337	-	-	-	1,853,337
Derivative financial instruments	1,747					1,747
Deposits from customers	539,414,873	46,045,531	88,081,376	72,795	-	673,614,575
Refinance loans	-					-
Other liabilities	15,419,139					15,419,139
Total financial liabilities	554,835,759	47,898,868	88,081,376	72,795	-	690,888,798
On-balance sheet liquidity gap	(95,579,492)	(1,731,796)	(27,757,689)	170,683,433	15,671,023	61,285,480
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	42,259,745	12,046,241	38,542,944	10,059,208	-	102,908,136
Net Liquidity gap	(137,839,236)	(13,778,037)	(66,300,633)	160,624,225	15,671,023	(41,622,656)
Total off-balance sheet items	30,133,844	10,183,128	35,410,564	26,413,877	-	102,141,414

Bank

As at 31 December 2018	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	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	87,249,444
Government securities at FVTPL	409,847	-	5,532,181	-	-	5,942,026
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	348,406,491	58,083,085	74,441,415	219,745,132	3,969,721	704,645,844
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	108,051,107	316,658	-	633,773,623
On-balance sheet liquidity gap	(134,627,479)	15,711,198	(33,609,692)	219,428,474	3,969,721	70,872,221
Off-balance sheet items						
Loan commitments	6,170,692	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	1,573,394	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	10,183,128	35,410,564	26,413,877	-	102,141,414
Net Liquidity gap	(164,761,323)	5,528,070	(69,020,257)	193,014,597	3,969,721	(31,269,193)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Financial Risk Management (continued)

3.3 Liquidity Risk (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 2019 and 2018 respectively.

Consolidated

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	69,160,649	19,039,097	50,121,552	69,160,649
Government securities at FVTPL	7,036,412	7,036,412	-	7,036,412
Loans and advances to customers	305,516,940	169,211,241	136,305,699	305,516,940
Other assets	20,588,951	20,588,951	-	20,588,951
Current income tax recoverable	20,158	20,158	-	20,158
Property and equipment	10,748,176	-	10,748,176	10,748,176
Intangible assets	4,035,100	-	4,035,100	4,035,100
Deferred income tax asset	37,068,876	-	37,068,876	37,068,876
Total Assets	804,573,284	566,293,880	238,279,404	804,573,284
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	673,459,975	673,387,180	72,795	673,459,975
Refinance loans	-	-	-	-
Current income tax payable	-	-	-	-
Other liabilities	15,579,767	15,579,767	-	15,579,767
Deferred income tax liability	-	-	-	-
Total Liabilities	690,894,826	690,822,031	72,795	690,894,826

Consolidated

As at 31 December 2018	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	163,256,415	163,256,415	-	163,256,415
Deposits and balances due from banking institutions	100,824,140	100,824,140	-	100,824,140
Derivative financial instruments	558,500	558,500	-	558,500
Government securities at Amortised cost	87,625,921	40,634,330	46,991,589	87,625,919
Government securities at FVTPL	5,942,026	5,942,026	-	5,942,026
Loans and advances to customers	334,103,271	157,380,005	176,723,266	334,103,271
Other assets	12,873,816	12,873,816	-	12,873,816
Property and equipment	13,423,459	-	13,423,459	13,423,459
Intangible assets	5,379,898	-	5,379,898	5,379,898
Deferred income tax asset	25,869,200	-	25,869,200	25,869,200
Total Assets	749,856,646	481,469,232	268,387,412	749,856,644
Liabilities				
Deposits due to other banks	1,434,289	1,434,289	-	1,434,289
Derivative financial instruments	1,250	1,250	-	1,250
Customer deposits	618,019,250	617,702,593	316,657	618,019,250
Refinance loans	63,116	-	63,116	63,116
Current income tax payable	1,245,758	1,245,758	-	1,245,758
Other liabilities	14,277,859	14,277,859	-	14,277,859
Deferred income tax liability	542		542	542
Total Liabilities	635,042,065	634,661,750	380,315	635,042,064

NOTES TO THE FINANCIAL STATEMENTS (continued)
3. Financial Risk Management (continued)

3.3 Liquidity Risk (continued)

Bank

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	36,960,123	-	36,960,123	36,960,123
Total Assets	804,351,082	566,182,238	238,168,843	804,351,082
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
As at 31 December 2018				
Assets				
Cash and balances with Central Bank	163,256,415	163,256,415	-	163,256,415
Deposits and balances due from banking institutions	100,814,159	100,814,159	-	100,814,159
Derivative financial instruments	558,500	558,500	-	558,500
Government securities at Amortised cost	87,249,444	40,634,330	46,615,114	87,249,444
Government securities at FVTPL	5,942,026	5,942,026	-	5,942,026
Loans and advances to customers	334,103,271	157,380,005	176,723,266	334,103,271
Other assets	12,722,029	12,722,029	-	12,722,029
Investment in subsidiary	487,422	-	487,422	487,422
Property and equipment	13,421,651	-	13,421,651	13,421,651
Intangible assets	5,379,898	-	5,379,898	5,379,898
Deferred income tax asset	25,746,973	-	25,746,973	25,746,973
Total Assets	749,681,788	481,307,464	268,374,324	749,681,788
Liabilities				
Deposits due to other banks	1,434,289	1,434,289	-	1,434,289
Derivative financial instruments	1,250	1,250	-	1,250
Customer deposits	618,079,011	617,762,354	316,657	618,079,011
Refinance loans	63,116	-	63,116	63,116
Current income tax payable	1,250,799	1,250,799	-	1,250,799
Other liabilities	14,195,957	14,195,957	-	14,195,957
Total Liabilities	635,024,422	634,644,649	379,773	635,024,421

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.

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.

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. Financial Risk Management (continued)
3.4 Fair value of financial instruments (continued)

As at 31 December 2018	Level 1 Ushs '000	level 2 Ushs '000	Level 3 Ushs '000	Total Ushs '000
Assets measured at fair value				
Derivative financial assets	-	-	558,500	558,500
Government securities at FVTPL	-	7,819,473	-	7,819,743
Investment in subsidiary	-	-	487,422	487,422
Other assets	-	-	12,722,029	12,722,029
	-	7,819,473	13,767,951	21,587,694
Liabilities measured at fair value				
Derivative financial instruments	-	-	1,250	1,250
	-	-	1,250	1,250

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.
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 2019 and 2018. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	2019 Ushs '000	2018 Ushs '000
Tier 1 capital		
Share capital	96,750,000	96,750,000
Retained earnings	1,485,275	15,790,336
Less: Intangible assets	(4,035,100)	(5,379,898)
Less: Deferred income tax asset	(36,960,123)	(25,746,973)
Less: Unrealized foreign exchange gains	-	(557,250)
Less: Investment in subsidiary	(80,000)	(80,000)
Total qualifying Tier 1 capital	57,160,052	80,776,215
Tier 2 capital		
Revaluation reserve	1,564,041	1,831,835
General provisions	2,938,798	3,433,922
Total qualifying Tier 2 capital	4,502,839	5,265,757
Total regulatory capital	61,662,891	86,041,972
Risk-weighted assets:		
On-balance sheet	373,244,698	410,127,474
Off-balance sheet	66,989,604	61,922,622
Market risk	6,797,968	29,208,138
Total risk-weighted assets	447,032,270	501,258,234
Core capital ratio	12.79%	16.11%
Total capital ratio	13.79%	17.17%

The minimum required core and total capital ratios are 10% and 12% respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)
3. Financial Risk Management (continued)
3.5 Capital Management (continued)

	Nominal statement of financial position amounts		Risk Weight	Risk weighted Amounts	
	2019 Shs '000	2018 Shs '000		2019 Shs '000	2018 Shs '000
Balance sheet assets (net of provisions)					
Cash and balances with Central Bank	229,295,518	163,256,415	0%	-	-
Deposits and balances due from banking institutions	96,947,128	51,200,163	20%	19,389,426	10,240,033
Due from banks outside Uganda with long-term ratings as follows;					
Rated AAA to AA(-)	31,580	215,132	20%	6,316	43,026
Rated A (+) to A (-)	13,916,268	38,188,342	50%	6,958,134	19,094,171
Rated A (-) to non-rated	10,205,336	11,210,522	100%	10,205,336	11,210,522
Government securities at Amortised cost	68,800,726	87,249,444	0%	-	-
Government securities at FVTPL	7,036,412	5,942,026	0%	-	-
Loans and advances to customers	305,516,940	334,103,271	100%	305,516,940	334,103,271
Property and equipment	10,746,369	13,421,651	100%	10,746,369	13,421,651
Other assets	20,422,177	12,722,029	100%	20,422,177	12,722,029
Total assets	762,918,454	717,508,995		373,244,698	400,834,703
Off-balance sheet positions					
Performance bonds	3,705,762	2,913,296	50%	1,852,881	1,456,648
Guarantees	45,063,649	38,177,922	100%	45,063,649	38,177,922
Letters of credit	23,320,960	27,456,821	20%	4,664,192	5,491,364
Foreign currency contracts	2,192	558,500	0%	-	-
Unutilised commitments	30,817,765	33,593,375	50%	15,408,882	16,796,688
	102,910,328	102,699,914		66,989,604	61,922,622
Counterparty					
Government of Uganda and Bank of Uganda	-	-		-	-
Rated AAA to AA (-) and banks in Uganda	-	-		-	-
Rated A (+) to A (-)	-	-		-	-
Rated A (-) and non-rated	-	-		-	-
Total risk weighted CCR exposures	-	-		-	-
	-	-		-	-
Market risk	-	-		6,797,968	29,208,138
Total risk-weighted assets	865,828,782	820,208,909		447,032,270	491,965,463

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

	2019 Shs '000	2018 Shs '000
Gross loans and advances (note 21)	321,716,415	345,210,623
Less Interest Suspended	(1,949,800)	(98,718)
Less Specific Provisions (note 36)	(25,886,774)	(1,719,668)
Net loans and advances	293,879,841	343,392,238

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. 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 as to whether there is any observable data indicating a significant increase in credit risk 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. 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 considers both the qualitative and quantitative factors.

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.

b. 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.

c. Property, plant and equipment

The bank carries its buildings at revalued amounts, being its fair value at the date of the 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 2018, there was no material revaluation gain since the last assessment performed in 2016.

5. INTEREST INCOME AND INTEREST EXPENSES

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Interest income				
Loans and advances	45,056,429	48,338,449	45,056,429	48,338,449
Deposits and balances due from banking institutions	4,661,598	7,902,192	4,661,598	7,902,192
	49,718,027	56,240,641	49,718,027	56,240,641
Government securities-amortised costs	11,674,802	8,445,684	11,666,415	8,445,684
Government securities-FVTPL	167,740	123,379	167,740	123,379
	11,842,542	8,569,063	11,834,155	8,569,063
Interest Income	61,560,569	64,809,704	61,552,182	64,809,704
Interest expense				
Deposits from banks	238,106	238,611	238,106	238,611
Deposits from customers	21,043,535	20,055,887	21,043,535	20,055,887
	21,281,641	20,294,498	21,281,641	20,294,498

The effective interest rate for loans and advance is 15.0% (2018:15.4%). The effective interest rate for deposits is 3.2% (2018: 3.2%). The effective interest rate for government securities is 15.5% (2018: 9.2%).

6. NET FEE AND COMMISSION INCOME

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Fee and commission income				
Credit related fees and commissions	4,221,231	3,963,905	4,221,231	3,963,905
Commission income	15,074,829	13,767,323	15,074,829	13,767,323
Commission on trade	318,802	228,799	-	-
Other operating income	2,417,858	3,511,490	2,416,987	3,475,337
	22,032,719	21,471,517	21,713,047	21,206,565

7. NET FOREIGN EXCHANGE GAINS

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Unrealised exchange (loss)/gain	(445)	557,250	(445)	557,250
Realised exchange gains	4,072,344	2,648,224	4,072,344	2,648,224
Fair value adjustment	7,343	(9,566)	7,343	(9,566)
	4,079,242	3,195,908	4,079,242	3,195,908

8. IMPAIRMENT CHARGES

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
8 (a) Impairment charges to P&L				
Net Increase in impairment (Note 8b)	17,935,987	6,579,569	17,935,987	6,579,569
	17,935,987	6,579,569	17,935,987	6,579,569

8 (b) Movement in ECLs during the period

	At 1 January 2019 (Note 2.4a)				At 31 December 2019							
	Stage 1 Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Total opening ECL Ushs '000	Stage 1 Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Net P&L charge Ushs '000	Stage 1 Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Total closing ECL 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	(276,724)	-	-	(276,724)	258,095	0	-	258,095
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	7,765	-	-	7,765	(791)	-	-	(791)	6,974	-	-	6,974
Grand Total	1,677,122	1,935,998	8,375,119	11,988,239	(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 Chaarges (continued)

	At 1 January 2019 (Note 2.4a)				At 31 December 2019							
	Stage 1 Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Total opening ECL Ushs '000	Stage 1 Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Net P&L charge Ushs '000	Stage 1 Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Total closing ECL Ushs '000
Bank Balances	35,962	-	-	35,962	41,717	-	-	41,717	77,679	-	-	77,679
Government Securities	2	-	-	2	1	-	-	1	4	-	-	4
Guarantees	566,625	-	-	566,625	(31,805)	-	-	(31,805)	534,819	-	-	534,819
Letters of Credit	499,836	-	-	499,836	(337,871)	-	-	(337,871)	161,964	-	-	161,964
Loans	1,976,373	900,004	8,855,032	11,731,410	(1,447,985)	1,235,973	7,417,802	7,205,789	796,235	1,935,998	8,375,119	11,107,352
OD Commitments	384,591	-	-	384,591	(285,934)	-	-	(285,934)	98,656	-	-	98,656
Placements	20,092	-	-	20,092	(12,327)	-	-	(12,327)	7,765	-	-	7,765
Grand Total	3,483,481	900,004	8,855,032	13,238,517	(2,074,206)	1,235,973	7,417,802	6,579,569	1,677,122	1,935,998	8,375,119	11,988,239

Charge to profit and loss

	2019 Ushs '000	2018 Ushs '000
Provisions established during the year	29,703,252	9,923,239
Recoveries for the year	(511,820)	4,486,177
Direct write-offs for the year	(11,255,445)	(7,829,847)
	17,935,987	6,579,569

9. EMPLOYEE BENEFITS EXPENSES

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Salaries	14,012,621	14,174,633	13,920,879	14,070,020
National Social Security Fund contributions	1,420,832	1,412,793	1,411,658	1,402,332
Other staff costs	2,361,884	1,949,819	2,357,402	1,933,921
Defined contribution fund	847,559	836,083	847,559	836,083
	18,642,896	18,373,328	18,537,498	18,242,356

10. GENERAL AND ADMINISTRATIVE EXPENSES

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
IT and software costs	4,911,535	4,018,532	4,911,535	4,018,532
Occupancy, furniture and equipment	2,715,138	6,214,849	2,715,138	6,214,849
Marketing and public relations	2,048,313	1,765,276	2,048,313	1,757,576
Travel and entertainment	131,271	95,540	131,271	95,540
Telecommunication and postage	1,702,535	1,503,446	1,700,035	1,500,546
Other administrative expenses	1,876,323	1,397,822	1,876,323	1,397,822
	13,385,115	14,995,465	13,382,615	14,984,865

11. DEPRECIATION AND AMORTISATION

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Depreciation of property and equipment (Note 25)	3,620,448	3,471,482	3,620,448	3,469,837
Amortisation of intangible assets (Note 26)	2,681,168	2,012,455	2,681,168	2,012,455
Depreciation of right of use asset (Note 27)	3,010,727	-	3,010,727	-
	9,312,343	5,483,937	9,312,343	5,482,292

12. OTHER OPERATING EXPENSES

Consolidated	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Audit fees	337,966	180,000	337,966	180,000
Reversal of charges*	443,891	661,613	443,891	661,613
Other general expenses	15,004,650	15,008,924	14,813,015	14,935,919
Depreciation and amortisation (note 11)	9,312,343	5,483,937	9,312,343	5,482,292
	25,098,850	21,337,474	24,907,215	21,259,824

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

13. FINANCE COST

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
IFRS 16 interest expense	894,690	-	894,690	-
	894,690	**-**	**894,690**	**-**

14. INCOME TAX

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Current income tax				
Current year charge	-	9,341	-	-
Income tax on government securities	2,359,014	1,254,376	2,339,289	1,254,376
Prior year overstated income tax receivable	-	-	-	-
Prior year assessment*	-	1,250,799	-	1,250,799
Prior year under provision	-	-	-	-
Deferred tax	-	-	-	-
Current year - Bank	(10,878,593)	(170,172)	(10,858,868)	(170,172)
- Equity Stock Brokers	6,112	202	-	-
Income tax (credit)/ expense	**(8,513,466)**	**2,344,546**	**(8,519,579)**	**2,335,003**

* The prior year assessment relates to the final income tax assessment by the Uganda Revenue Authority arising from the audit of the 2012 – 2016 period.

The tax on the consolidated profit before income tax differs from the theoretical amount as follows:

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Profit before income tax	(9,566,649)	7,899,795	(9,595,175)	7,851,065
Tax calculated at the tax rate of 30% (2018: 30%)	(2,869,995)	2,369,939	(2,878,553)	2,355,320
Effect of:				
- Final tax on government securities	2,339,289	1,254,376	2,339,289	1,254,376
- Prior year tax under provision	(5,966,279)	-	(5,972,392)	-
- Permanent difference	(8,557)	-	-	-
- Income not subject to tax (Tbills + Tbonds)	(2,467,583)	(2,553,766)	(2,467,583)	(2,549,031)
- Prior year assessment	-	1,250,799	-	1,250,799
- Expenses not deductible for tax purposes	459,660	23,198	459,660	23,539
Income tax expense	**(8,513,466)**	**2,344,546**	**(8,519,579)**	**2,335,003**

The effective tax rate for 2019 is 30% (2018: 30%).

15. FINANCIAL INSTRUMENTS BY CATEGORY

Consolidated

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 financial instruments	-	1,747	-	1,747
Other liabilities	-	-	15,579,767	15,579,767
	-	1,747	690,893,079	690,894,826

IFRS 9 At 31 December 2018	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	163,256,415	-	-	163,256,415
Deposits and balances due from banking institutions	100,824,140	-	-	100,824,140
Derivative financial instruments	-	558,500	-	558,500
Government securities	87,625,918	5,942,026	-	93,567,945
Loans and advances to customers	334,103,271	-	-	334,103,271
Other assets		12,873,816	-	12,873,816
	685,809,744	19,374,342	-	705,184,087
Financial liabilities at amortised cost				
Deposits due to other banks	-	-	1,434,289	1,434,289
Deposits from customers	-	-	618,019,250	618,019,250
Derivative financial instruments	-	1,250	-	1,250
Refinance loans	-	-	63,116	63,116
Current income tax payable			1,255,839	1,255,839
Other liabilities	-	-	14,277,859	14,277,859
	-	1,250	635,040,273	635,041,523

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Financial Instruments by Category (continued)

Bank

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	68,800,726	7,036,412	-	75,837,138
Investment in subsidiary	-	435,213	-	435,213
Loans and advances to customers	305,516,940	-	-	305,516,940
Other assets	-	20,422,177	-	20,422,177
	724,713,496	27,895,994	-	752,609,490
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
Other liabilities	-	-	15,419,139	15,419,139
	-	1,747	690,887,050	690,888,797

IFRS 9 At 31 December 2018				
Financial assets				
Cash and bank 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 instruments	-	558,500	-	558,500
Government securities	87,249,444	5,942,026	-	93,191,471
Investment in subsidiary	-	487,422	-	487,422
Loans and advances to customers	334,103,271	-	-	334,103,271
Other assets		12,722,029	-	12,722,029
	685,423,289	19,709,977	-	705,133,267
Financial liabilities at amortised cost				
Deposits due to other banks	-	-	1,434,289	1,434,289
Deposits from customers	-	-	618,079,011	618,079,011
Derivative liabilities	-	1,250	-	1,250
Refinance loans	-	-	63,116	63,116
Current income tax payable	-	-	1,250,799	1,250,799
Other liabilities	-	-	14,519,237	14,519,237
	-	1,250	635,346,452	635,347,702

16. CASH AND BALANCES WITH CENTRAL BANK

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Cash in hand	34,294,467	47,121,780	34,294,467	47,121,780
Balances with the Central bank other than mandatory reserve deposits	140,921,051	69,294,635	140,921,051	69,294,635
Included in cash and cash equivalents (Note 17)	175,215,518	116,416,415	175,215,518	116,416,415
Mandatory reserve deposits with Central Bank	54,080,000	46,840,000	54,080,000	46,840,000
Repurchase agreements	-	-	-	-
	229,295,518	163,256,415	229,295,518	163,256,415

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 2019 was Ushs: 54,080 million (2018: Ushs 46,840 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:

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Cash and balances with the Central Bank (Note 16)	175,215,518	116,416,415	175,215,518	116,416,415
Deposits and balances due from banking institutions (Note 18)	110,184,139	100,909,583	110,184,139	100,899,602
Repurchase agreements	-	-	-	-
Treasury bills maturing within 90 days (Note 20)	7,200,000	2,487,427	7,200,000	2,426,234
Treasury bonds maturing within 90 days (Note 20)	20,595,878	3,688,363	20,595,878	3,688,363
	313,195,535	223,501,788	313,195,535	223,430,614

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 54.08 billion (2018: Ushs 46.84 billion).

18. DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Balances due from other banking institutions	14,302,959	52,619,583	14,302,959	52,609,602
Placements with other banks	106,908,512	48,290,000	106,908,512	48,290,000
Gross deposits and balances due from banking institutions	121,211,471	100,909,583	121,211,471	100,899,602
Less impairment	(111,159)	(85,443)	(111,159)	(85,443)
Net deposits and balances due from banking institutions	121,100,312	100,824,140	121,100,312	100,814,159

Bank

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				
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**

Bank Balances As at 31 December 2018	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Amortised cost	52,609,602	-	-	52,609,602
Total	52,609,602	-	-	52,609,602
Less impairment	(77,679)	-	-	(77,679)
Total	**52,531,923**	**-**	**-**	**52,531,923**
Placements As at 31 December 2018				
Amortised cost	48,290,000	-	-	48,290,000
Total	48,290,000	-	-	48,290,000
Less impairment	(7,765)	-	-	(7,765)
Total	**48,282,235**	**-**	**-**	**48,282,235**

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.

At 31 December 2019	Carrying amount value asset Ushs '000	Notional amount assets Ushs '000	Carrying amount value liabilities Ushs '000	Notional amount liabilities 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
At 31 December 2018				
Derivatives held for trading				
Foreign exchange contracts	558,500	14,488,500	1,250	13,931,250
Total	558,500	14,488,500	1,250	13,931,250

20. GOVERNMENT SECURITIES AT AMORTISED COST

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Treasury bills **Face value**				
Maturing within 90 days	4,000,000	2,071,993	4,000,000	2,010,800
Maturing after 90 days	359,923	20,315,281	-	20,000,000
	4,359,923	22,387,274	4,000,000	22,010,800
Unearned interest	(45,087)	(1,252,941)	(45,087)	(1,252,941)
	4,314,836	21,134,333	3,954,913	20,757,859
Treasury Bonds **Face value**				
Maturing within 90 days	20,595,878	3,688,363	20,595,878	3,688,363
Maturing between 90 and 365 days	-	20,285,998	-	20,285,998
Maturing after 365 days	57,683,768	57,775,947	57,683,768	57,775,947
	78,279,646	81,750,308	78,279,646	81,750,308
Unearned interest	(13,433,831)	(15,258,721)	(13,433,831)	(15,258,721)
	64,845,815	66,491,587	64,845,815	66,491,587
Gross Government securities at Amortised cost	69,160,651	87,625,921	68,800,728	87,249,447
Less impairment	(2)	(3)	(2)	(3)
Net Government securities at Amortised cost	69,160,649	87,625,918	68,800,726	87,249,444

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Government securities at Amortised cost (continued)

Gross Government securities at Amortised cost As at 31 December 2019	Stage1 Ushs'000	Stage2 Ushs'000	Stage3 Ushs'000	Total 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
As at 31 December 2018				
Amortised cost	87,249,447	-	-	87,249,447
Total	87,249,447	-	-	87,249,447
Less impairment	(3)	-	-	(3)
Total	87,249,444	-	-	87,249,444

Government securities at FVTPL	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Face value				
Maturing within 90 days	3,200,000	415,434	3,200,000	415,434
Maturing after 90 days	4,197,777	6,000,000	4,197,777	6,000,000
	7,397,777	6,415,434	7,397,777	6,415,434
Unearned interest	(361,364)	(473,406)	(361,364)	(473,406)
Gross Government securities at FVTPL	7,036,413	5,942,028	7,036,413	5,942,028
Less impairment	(1)	(1)	(1)	(1)
Net Government securities at FVTPL	7,036,412	5,942,027	7,036,412	5,942,027
Total government securities	76,197,061	93,567,945	75,837,138	93,191,471

Gross Government securities at FVTPL As at 31 December 2019	Stage1 Ushs'000	Stage2 Ushs'000	Stage3 Ushs'000	Total Ushs'000
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
As at 31 December 2018				
Amortised cost	5,942,027	-	-	5,942,027
Total	5,942,027	-	-	5,942,027
Less impairment	(1)	-	-	(1)
Total	5,942,026	-	-	5,942,026

21. INVESTMENT IN SUBSIDIARY

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Equity securities – at fair value:				
– Equity Stock Brokers Limited	-	-	435,213	487,422
Total investment in subsidiary	-	-	435,213	487,422

	2019 Ushs '000	2018 Ushs '000
Equity stock brokers total fair value	544,016	609,277
Equity stock brokers at fair value (80%)	435,213	487,422
Less original investment	(80,000)	(80,000)
	355,213	407,422
Deferred income tax on fair value	(106,564)	(122,226)
Fair value net of tax	248,649	285,196

The movement in fair value of the investment in Equity Stock Brokers arises because, from 1 January 2018, 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% (2018: 80%) of the company while 20% is owned by Shoal.

Further, the profit that has been allocated to Shoal Ltd for the year ended 31st Dec 2019 is Ushs. 6.0mn (2018: Ushs 7.8mn). The accumulated non-controlling interest is Ushs. 109.28mn (2018: Ushs 103.2mn).

Summary of Equity Stock Brokers Limited's financial statements

	2019 Ushs 'mn	2018 Ushs 'mn
Total assets	705	609
Total liabilities	161	82
Revenue	328	265
Profit after tax	22	39

22. LOANS AND ADVANCES TO CUSTOMERS

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Retail	23,582,530	66,369,563	23,582,530	66,369,563
Corporate	298,133,885	278,841,060	298,133,885	278,841,060
	321,716,415	345,210,623	321,716,415	345,210,623

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Loans and advances to customers (continued)

Net loans and advances	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Gross loans and advances to customers	321,716,415	345,210,623	321,716,415	345,210,623
Less: allowance for impairment	(16,199,475)	(11,107,352)	(16,199,475)	(11,107,352)
Net loans and advances to customers	305,516,940	334,103,271	305,516,940	334,103,271
Gross loans and advances				
Gross advances to customers by industry composition:				
- Trade and commerce	101,695,845	99,984,562	101,695,845	99,984,562
- Agriculture	72,369,917	61,844,168	72,369,917	61,844,168
- Manufacturing	44,228,836	48,307,403	44,228,836	48,307,403
- Transport & communication	14,200,722	22,390,375	14,200,722	22,390,375
- Building and construction	51,597,380	63,459,667	51,597,380	63,459,667
- Personal, service industry and others	37,623,715	49,224,448	37,623,715	49,224,448
Gross advances to customers	321,716,415	345,210,623	321,716,415	345,210,623

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

Loans and Overdrafts to Customers As at 31 December 2019	Stage1 Ushs'000	Stage2 Ushs'000	Stage3 Ushs'000	Total Ushs'000
Amortised cost	237,598,397	24,089,952	60,028,066	321,716,415
Total	237,598,397	24,089,952	60,028,066	321,716,415
Less impairment	(1,372,698)	(484,533)	(14,342,245)	(16,199,475)
Total	236,225,699	23,605,419	45,685,821	305,516,940
As at 31 December 2018				
Amortised cost	254,690,195	78,678,296	11,842,133	345,210,623
Total	254,690,195	78,678,296	11,842,133	345,210,623
Less impairment	(796,235)	(1,935,998)	(8,375,119)	(11,107,352)
Total	253,893,960	76,742,298	3,467,014	334,103,271

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 **Corporate & Retail**	Stage 1 12-month ECL Ushs'000	Stage 2 Lifetime ECL Ushs'000	Stage 3 Lifetime ECL Ushs'000	Total 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	(511,820)
– Write-offs	-	-	(11,255,445)	(11,255,445)
New financial assets originated or purchased	27,808	16,013	850,430	894,251
Financial assets that have been derecognised	(48,074)	(24,294)	3,583,079	3,510,711
Loss allowance as at 31 December 2019	(345,849)	1,827,015	14,718,309	16,199,475

ECL on loans and advances at amortised cost **Corporate & Retail**	Stage 1 12-month ECL Ushs'000	Stage 2 Lifetime ECL Ushs'000	Stage 3 Lifetime ECL Ushs'000	Total Ushs'000
IAS 39 closing provision				7,707,183
Day 1 adjustment				4,024,227
Loss allowance as at 1 January 2018	1,976,373	900,004	8,855,032	11,731,410
Changes in the loss allowance				
– Transfer to stage 1	(762,260)	1,530,704	1,787,893	2,556,337
– Transfer to stage 2	(355,781)	(200,495)	288,140	(268,136)
– Transfer to stage 3	(208,596)	(60)	9,220,671	9,012,015
– Write-offs	-	-	(7,829,847)	(7,829,847)
New financial assets originated or purchased	55,837	692	67,086	123,614
Financial assets that have been derecognised	(177,184)	(94,868)	(3,945,988)	(4,218,041)
Loss allowance as at 31 December 2018	528,388	2,135,977	8,442,987	11,107,352

Movements in provisions for loans and advances are as follows;

	Total Ushs '000
At 1 January 2018	11,731,410
Provisions established during the year	11,691,966
Recoveries for the year	(4,486,177)
Written off loans	(7,829,847)
At 31 December 2018	11,107,352
At 1 January 2019	11,107,352
Provisions established during the year	16,859,388
Recoveries for the year	(511,820)
Written off loans	(11,255,445)
At 31 December 2019	16,199,475

23. OTHER ASSETS

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Prepayments	2,359,333	3,416,688	2,359,333	3,260,473
Other receivables	18,229,618	9,457,128	18,062,844	9,461,556
	20,588,951	12,873,816	20,422,177	12,722,029

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

24. CURRENT INCOME TAX PAYABLE / (RECOVERABLE)

Consolidated	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Balance as at 1 January	1,250,799	(5,742)	1,250,799	-
Write off of opening receivable	-	-	-	-
Prior year under-provision	-	1,250,799	-	1,250,799
Current tax charge	2,359,447	1,263,717	2,339,289	1,254,376
Tax paid - current year	(3,590,088)	(1,263,015)	(3,590,088)	(1,254,376)
Balance as at 31 December	20,158	1,245,759	-	1,250,799

25. PROPERTY AND EQUIPMENT

Consolidated

COST or VALUATION	Land Ushs'000	Buildings Ushs'000	Leasehold improvements Ushs'000	Furniture, Fixtures, Strong room & Safes Ushs'000	Computer Equipment, ATM, POS & SWIFT Ushs'000	Motor vehicles Ushs'000	Office Equipment Ushs'000	Work In Progress Ushs'000	Total Ushs'000
At 1 January 2018	2,485,750	4,060,000	5,257,126	3,169,387	11,824,534	829,958	6,593,487	4,545,284	38,765,526
Additions	-	-	191,232	41,540	667,983	-	397,052	6,120,120	7,417,927
Disposals	-	-	-	(48,908)	(97,075)	-	(253,373)	-	(399,356)
Transfer from WIP	-	-	414,684	412,498	722,228	571,636	784,541	(2,905,587)	-
WIP write off during the year	-	-	-	-	-	-	-	(3,895,346)	(3,895,346)
Transfer to intangibles (note 25)	-	-	-	-	-	-	-	(3,518,012)	(3,518,012)
At 31 December 2018	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
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)
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

NOTES TO THE FINANCIAL STATEMENTS (continued)
25. Property and equipment (continued)

ACCUMULATED DEPRECIATION	Land Ushs'000	Buildings Ushs'000	Leasehold improvements Ushs'000	Furniture, Fixtures, Strong room & Safes Ushs'000	Computer Equipment, ATM, POS & SWIFT Ushs'000	Motor vehicles Ushs'000	Office Equipment Ushs'000	Work In Progress Ushs'000	Total Ushs'000
At 1 January 2018	849,465	638,346	3,374,985	2,273,222	9,134,790	758,358	4,839,900	-	21,869,066
2017 Adjustments	-	-	2,491	386	383	445	841	-	4,546
Charge for the year	131,452	284,200	526,681	250,371	1,527,565	70,866	680,347	-	3,471,482
Eliminated on disposal	-	-	-	(48,723)	(97,064)	-	(252,027)	-	(397,814)
Elimination of accumulated depreciation	-	-	-	-	-	-	-	-	-
At 31 December 2018	980,917	922,546	3,904,157	2,475,256	10,565,674	829,669	5,269,061	-	24,947,280
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
Charge for the year	131,453	284,200	484,280	258,523	1,517,882	163,412	781,471	-	3,621,221
Eliminated on disposal	-	-	(2,491)	(440)	(382)	-	(871)	-	(4,184)
Elimination of accumulated depreciation	-	-	-	-	(782,860)	(167,649)	(2,000)	-	(952,509)
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
NET CARRYING AMOUNT									
At cost	1,373,380		1,652,106	853,301	1,372,553	410,713	1,873,578	358,517	7,894,148
At valuation		2,853,254							2,853,254
At 31 December 2019	1,373,380	2,853,254	1,652,106	853,301	1,372,553	410,713	1,873,578	358,517	10,747,402
At 31 December 2018	1,504,833	3,137,454	1,958,885	1,099,261	2,551,996	571,925	2,252,646	346,459	13,423,459

Work in progress relates to infrastructure for the mobile application, firewall and server that are being installed.

Bank

COST or VALUATION	Land Ushs'000	Buildings Ushs'000	Leasehold improvements Ushs'000	Furniture, Fixtures, Strong room & Safes Ushs'000	Computer Equipment, ATM, POS & SWIFT Ushs'000	Motor vehicles Ushs'000	Office Equipment Ushs'000	Work In Progress Ushs'000	Total Ushs'000
At 1 January 2018	2,485,750	4,060,000	5,257,125	3,169,387	11,813,289	829,958	6,593,487	4,545,284	38,754,280
Additions	-	-	191,232	41,540	665,662	-	397,052	6,120,120	7,415,606
Disposals				(48,908)	(97,075)		(253,373)	-	(399,356)
Transfer from WIP			414,684	412,498	722,228	571,636	784,541	(2,905,587)	-
WIP write off during the year								(3,895,346)	(3,895,346)
Transfer to intangibles (note 25)								(3,518,012)	(3,518,012)
At 31 December 2018	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
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)
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

NOTES TO THE FINANCIAL STATEMENTS (continued)
25. Property and equipment (continued)

ACCUMULATED DEPRECIATION	Land Ushs'000	Buildings Ushs'000	Leasehold improvements Ushs'000	Furniture, Fixtures, Strong room & Safes Ushs'000	Computer Equipment, ATM, POS & SWIFT Ushs'000	Motor vehicles Ushs'000	Office Equipment Ushs'000	Work In Progress Ushs'000	Total Ushs'000
At 1 January 2018									
Charge for the year	849,465	638,346	3,374,985	2,273,221	9,124,679	758,358	4,839,900	-	21,858,954
Reclassification	131,452	284,200	526,681	250,371	1,525,920	70,866	680,347	-	3,469,837
Eliminated on disposal			-	(48,723)	(92,520)	-	(252,027)	-	(393,270)
At 31 December 2018	980,917	922,546	3,901,666	2,474,869	10,558,079	829,224	5,268,220	-	24,935,521
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
Charge for the year	131,453	284,200	484,280	258,523	1,517,109	163,412	781,471	-	3,620,448
Reclassification			(2,491)	(440)	(382)		(872)	-	(4,185)
Eliminated on disposal					(782,460)	(167,649)	(2,000)	-	(952,109)
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

NET CARRYING AMOUNT	Land	Buildings	Leasehold improvements	Furniture, Fixtures, Strong room & Safes	Computer Equipment, ATM, POS & SWIFT	Motor vehicles	Office Equipment	Work In Progress	Total
At cost	1,373,380		1,654,596	853,688	1,366,955	411,158	1,874,420	358,918	7,893,115
At valuation		2,853,254							2,853,254
At 31 December 2019	1,373,380	2,853,254	1,654,596	853,688	1,366,955	411,158	1,874,420	358,918	10,746,369
At 31 December 2018	1,504,833	3,137,454	1,961,375	1,099,648	2,546,025	572,370	2,253,487	346,459	13,421,651

Work in progress relates to infrastructure for the mobile application, firewall and server that are being installed.

Reconciliation of the carrying amount of buildings

	2019 Ushs'000	2018 Ushs'000
Carrying amount as at 1 January 2019	3,137,454	3,421,654
Reclassification (net)	(284,200)	-
Depreciation for the year	-	(284,200)
Level 3 revaluation gain	-	-
Carrying amount and fair value as at 31 December 2019	2,853,254	3,137,454

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

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Buildings (cost)	3,318,264	3,318,264	3,318,264	3,318,264
Reclassification (net)	(1,003,021)	(1,003,021)	(1,003,021)	(1,003,021)
Accumulated depreciation	(1,206,746)	(922,546)	(1,206,746)	(922,546)
Net carrying amount	1,108,497	1,392,697	1,108,497	1,392,697

26. INTANGIBLE ASSETS

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Cost				
At 1 January	19,367,932	15,250,806	19,367,932	15,250,806
Additions	894,262	599,114	894,262	599,114
Transfer from work in progress (Refer to note 24)	442,108	3,518,012	442,108	3,518,012
At 31 December 2019	20,704,302	19,367,932	20,704,302	19,367,932
Accumulated amortisation				
At 1 January	13,988,034	11,975,579	13,988,034	11,975,579
Disposal	-	-		-
Amortisation charge	2,681,168	2,012,455	2,681,168	2,012,455
At 31 December 2019	16,669,202	13,988,034	16,669,202	13,988,034
Net carrying amount	4,035,100	5,379,898	4,035,100	5,379,898

27. RIGHT OF USE ASSET

Consolidated and separate	Buildings Ushs'000	Total Ushs'000
Cost		
At 1 January 2019	12,739,570	12,739,570
Additions	-	-
At 31 December 2019	12,739,570	12,739,570
Accumulated depreciation		
At 1 January 2019	-	-
Charge for the year	3,010,727	3,010,727
At 31 December 2019	3,010,727	3,010,727
Carrying amount		
At 31 December 2019	9,728,843	9,728,843

28. DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2018: 30%). The movement on the deferred income tax account is as follows:

Consolidated

a) Deferred income tax asset

	Accelerated tax depreciation Shs'000	Others Shs'000	Charges for loan impairment Shs'000	Tax Losses Shs'000	Deferred tax on revaluation surplus Shs'000	Derivative financial instruments Shs'000	Total Shs'000
At 1 January 2018	(929,881)	(64,604)	(1,210,348)	(22,779,826)	994,111	-	(23,990,548)
Charged/ credited to profit	302,900	(121,808)	(3,697,710)	3,346,445	-	-	(170,172)
Charged to equity	-	-	(1,659,400)	-	(49,081)	-	(1,708,482)
At 31 December 2018	(626,981)	(186,412)	(6,567,458)	(19,433,381)	945,030	-	(25,869,200)
At 1 January 2019	(626,981)	(186,412)	(6,567,458)	(19,433,381)	945,030	-	(25,869,202)
Charged/ credited to profit	(268,338)	(353,615)	46,000	(10,282,914)			(10,858,868)
Charged to equity					(338,617)		(338,617)
At 31 December 2019	(895,319)	(540,027)	(6,521,459)	(29,716,295)	606,413	-	(37,066,687)

Separate

a) Deferred income tax asset

	Accelerated tax depreciation Shs'000	Others Shs'000	Charges for loan impairment Shs'000	Tax Losses Shs'000	Deferred tax on revaluation surplus Shs'000	Derivative financial instruments Shs'000	Fair value Shs'000	Total Shs'000
At 1 January 2018	(929,881)	(64,604)	(1,210,348)	(22,779,826)	994,111	-	-	(23,990,548)
Charged/credited to profit	302,900	(121,808)	(3,697,709)	3,346,445	-	-	-	(170,172)
Charged to equity	-	-	(1,659,400)	-	(49,081)	-	122,226	(1,586,254)
At 31 December 2018	(626,981)	(186,412)	(6,567,458)	(19,433,381)	945,030	-	122,226	(25,746,973)
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)	(353,615)	46,000	(10,282,914)				(10,858,868)
Charged to equity					(338,617)		(15,662)	(354,280)
At 31 December 2019	(895,319)	(540,027)	(6,521,459)	(29,716,295)	606,413	-	106,564	(36,960,123)

Deferred assets amounting to Ugx 29.71bn (2018: Ugx 19.02bn) bn in respect to carry forward tax losses of Ugx 99.05bn (2018: Ugx 64.77bn) 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.

b) Deferred income tax liability

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Accelerated tax depreciation				
As at 1 January	542	340	-	-
Charged/credited to profit or loss	(2,731)	202	-	-
As at 31 December	(2,189)	542	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. DEPOSITS FROM BANKS

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Deposits due to other banks	1,853,337	1,434,289	1,853,337	1,434,289
	1,853,337	1,434,289	1,853,337	1,434,289

30. CUSTOMER DEPOSITS

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

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Demand deposits	343,730,928	224,741,707	343,885,527	224,801,468
Time deposits	223,380,500	289,787,886	223,380,500	289,787,886
Savings accounts	106,348,547	103,489,657	106,348,547	103,489,657
	673,459,975	618,019,250	673,614,574	618,079,011
Sector analysis				
Private enterprises and individuals	587,114,153	597,741,165	587,268,752	597,800,926
Government and parastatals	86,345,822	20,278,085	86,345,822	20,278,085
	673,459,975	618,019,250	673,614,574	618,079,011
Segment analysis				
Corporate	389,920,847	228,020,765	390,075,446	228,020,765
Retail	283,539,128	389,998,485	283,539,128	390,058,246
	673,459,975	618,019,250	673,614,574	618,079,011

31. REFINANCE LOANS

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
APEX III/Agricultural Credit Facility (ACF) Loans	-	63,116	-	63,116
	-	63,116	-	63,116

The refinance loans with Bank of Uganda are denominated in Uganda Shillings (Ushs).

32. 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.

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Provisions and accruals	3,601,030	4,169,332	3,460,637	4,135,912
Other	11,606,451	9,313,087	11,586,217	9,264,605
IFRS 9 impairment for off balance sheet items – note 35	372,285	795,440	372,285	795,440
Total	15,579,767	14,277,859	15,419,139	14,195,957

33. LEASE LIABILITY

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
IFRS 16 lease liability	9,307,287	-	9,307,287	-
	9,307,287	-	9,307,287	-

34. ISSUED CAPITAL

Consolidated and Separate	Number of shares issued & fully paid (thousands) Ushs '000	Value per share Ushs '000	Total value of shares Ushs '000
2019			
At 1 January 2018 and December 2018	96,750	1,000	96,750,000
At 31 December 2019	96,750	1,000	96,750,000
2018			
At 1 January 2017 and December 2017	96,750	1,000	96,750,000
At 31 December 2018	96,750	1,000	96,750,000

The total number of ordinary shares paid up at year-end was 96.75 million (2018: 96.75 million) with a par value of Ushs 1,000 per share (2018: Ushs 1,000 per share). The total number of ordinary shares authorised for issue is 100 million.

Number of shares	2019 Millions Consolidated	2018 Millions Consolidated	2019 Millions Separate	2018 Millions Separate
At 1 January	96.75	96.75	96.75	96.75
Increase in shares	-	-	-	-
As at 31 December	96.75	96.75	96.75	95.75

35. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
35. Revaluation reserve (continued)

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
At start of year	1,831,835	2,434,811	1,831,835	2,434,811
Transfer of excess depreciation net of tax	(267,794)	(602,976)	(267,794)	(602,976)
Increase in revaluation surplus	-			
At end of year	1,564,041	1,831,835	1,564,041	1,831,835

36. 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:

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Provisions as per Bank of Uganda guidelines (Note 21)				
Specific provisions	25,886,774	1,719,668	25,886,774	1,719,668
General Provisions	4,148,579	3,971,804	4,148,579	3,971,804
	30,035,353	5,691,472	30,035,353	5,691,472
Provisions as per IFRS guidelines (Note 21)				
IFRS 9 Expected credit loss	16,199,476	11,107,352	16,199,476	11,107,352
	16,199,476	11,107,352	16,199,476	11,107,352
Statutory credit risk reserve*	13,835,877	(5,415,880)	13,835,877	(5,415,880)

37. DIVIDENDS PAYABLE

The directors do not recommend the payment of dividends for the year (2018: Nil).

38. 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 2019 - 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:

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Opening balance	855,342	1,761,714	1,178,623	1,761,714
Increase in provision	1,189,106	1,575,800	1,189,106	1,575,800
Decrease in provision (payments and adjustments)	(1,804,333)	(2,482,172)	(1,804,333)	(2,158,891)
Closing balance	240,115	855,342	563,396	1,178,623

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 2019, the Bank had capital commitments of Ushs 358 mn (2018: Ushs 346 mn).

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.

	2019 Ushs '000 Consolidated	2018 Ushs '000 Consolidated	2019 Ushs '000 Separate	2018 Ushs '000 Separate
Loan commitments	30,817,765	33,593,375	30,817,765	33,593,375
Performance Bonds	3,705,762	2,913,295	3,705,762	2,913,295
Guarantees	45,063,649	38,177,922	45,063,649	38,177,922
Foreign currency contracts	2,192	558,500	2,192	558,500
Legal cases	-	810,000		810,000
Documentary and letters of credit	23,320,960	27,456,821	23,320,960	27,456,821
Total	102,910,328	103,509,913	102,910,328	103,509,913

Guarantees As at 31 December 2019	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Amortised cost	48,769,411			48,769,411
Impairment	(258,096)			48,769,411
Letters of Credit As at 31 December 2019				
Amortised cost	23,320,960			23,320,960
Impairment	(99,815)			23,320,960
OD Commitments As at 31 December 2019				
Amortised cost	30,817,765			30,817,765
Impairment	(14,374)			30,817,765

Guarantees As at 31 December 2018	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Amortised cost	41,091,217	-	-	41,091,217
Impairment	(534,819)	-	-	(534,819)
Letters of Credit As at 31 December 2018				
Amortised cost	27,456,821	-	-	27,456,821
Impairment	(161,964)	-	-	(161,964)
OD Commitments As at 31 December 2018				
Amortised cost	48,290,000	-	-	48,290,000
Impairment	(98,656)	-	-	(98,656)

NOTES TO THE FINANCIAL STATEMENTS (continued)

38. Commitments and contingent liabilities (continued)

Expected credit loss on off balance sheet items:

At 31 December 2019	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Guarantees	(258,096)	-	-	(258,096)
Letters of credit	(99,815)	-	-	(99,815)
OD Commitments	(14,374)	-	-	(14,374)
Total	(372,285)	-	-	(372,285)

At 31 December 2018	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Guarantees	(534,819)	-	-	(534,819)
Letters of credit	(161,964)	-	-	(161,964)
OD Commitments	(98,656)	-	-	(98,656)
Total	(795,440)	-	-	(795,440)

39. RELATED-PARTY DISCLOSURES

Transactions and balances with related parties as at the yearend were as follows:

a) Related party balances	2019 Ushs '000	2018 Ushs '000
Deposits from directors and shareholders	34,788,249	11,721,343
Deposits from Equity Stock Brokers Ltd	45,262	59,686

b) Related party transactions

Interest:

Interest paid to related parties/directors	186,000	186,000
Interest paid to Equity Stock Brokers Ltd	4,757	4,757

Directors' remuneration

Directors' fees	731,402	740,703
Other emoluments	484,276	392,316
	1,215,678	1,133,019

c) Key management compensation - Orient Leadership Team

Salaries and short-term benefits	845,064	992,310
Defined contribution benefits	59,154	69,462

40. SUBSEQUENT EVENTS DISCLOSURE

2020 has begun with the outbreak of a new strain of the Coronavirus (COVID-19) in China, with confirmed cases in more than 150 countries globally. The spread of the virus has been far reaching and has caused disruption to supply chains and the travel and tourism industry. It has slowed global growth and caused investment market volatility in first quarter of 2020. We continue to review the exposure of our balance sheet to economic shocks and will take action to protect our capital position as appropriate.

The Bank considers the emergence and spread of Coronavirus to be a non-adjusting post balance sheet event. The Bank is however aware that it could experience a deterioration in its liquidity and capital structure due to worsening credit risk in our loan portfolio.


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