BENIN

BURKINA FASO

BURUNDI

CÔTE D'IVOIRE

DJIBOUTI

ETHIOPIA

GHANA

KENYA

MADAGASCAR

MALI

NIGER

RDC

SENEGAL

TANZANIA

TOGO

UGANDA

FRANCE

Annual report

2014

BANK OF AFRICA

Groupe BMCE BANK

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In an economic context which was sometimes difficult, the BANK OF AFRICA Group's 2014 financial year was highlighted mainly by the following four points:

– consolidating its sales & marketing set up,
– improving its operational structure,
– strengthening its risk control,
– and the marked improvement in its financial results.

Our sales & marketing organisation was consolidated through the implementation of our business model, the opening of new Business Centres and around 50 new branches and the revitalisation of the Annual Commercial Action Plan.

The Group's institutionalisation was also maintained, in particular through the creation of the new Risk Control department. 2014 was marked by the deployment of a system aimed at structuring this aspect of the business, under the name of ***"Convergence"***. This vast project, launched in March 2013, was introduced to ***improve the Group's system of risk management.***

In the area of training, most banks in the BANK OF AFRICA network are now equipped with dedicated Training Centres as the management of our human resources remains ***both a transversal and permanent priority.***

The progress in the financial results in 2013 accelerated in 2014, as shown in the following data.

– ***Customer deposits*** reached 4 billion euros, a 16.2% increase vs. 7.2% in 2013;
– Outstanding ***customer loans*** came to 3.1 billion euros, a 23.2% increase;
– ***Total assets*** followed the same trend, rising 26% to 6.1 billion euros vs. a 9.7% increase the previous year;
– ***Net Banking Income*** grew by 21.0% to 388.1 million euros vs. 320.6 million euros in 2013;
– ***Gross Operating Income*** rose by 23.7%;
– ***Consolidated net profit*** surged by 58.5% to 90.0 million euros vs. 56.7 million euros in 2013.

The strategy applied in 2014 was in the continuity of that of previous years, with enhanced governance, better designed risk management, the development of sales and marketing resources and improved synergies with BMCE Bank, ***which held 72.7% of BOA's capital*** at end 2014.

2015 will be the final year of our ***2013-2015 Three-Year Development Plan***, with the twofold objective of reinforcing our participation in financing national economies and strengthening our commitment to citizens, in permanent consultation with the authorities of each country.

I extend my thanks to all our customers for their trust in us, to the almost 6,000 BANK OF AFRICA employees for their steadfast commitment, to our shareholders for their continuous support and particularly to our majority shareholder, BMCE Bank, whose financial and operational support is of capital importance to the BANK OF AFRICA Group.

Mohamed BENNANI
BOA GROUP S.A. Chairman & CEO

Photo © E.Legouhy

The BANK OF AFRICA Group

A strong network*

- 5,800 people at the service of more than one million customers.
- About 500 dedicated operating and service support offices in 17 countries.
- A continuously expanding base of Automated Teller Machines and Electronic Payment Terminals, more than 600 units.
- Close to 2,300,000 bank accounts.

A wide and varied offer

- Full range of banking and financial services.
- An attractive range of bank insurance products.
- Tailored solutions for all financing issues.
- Successful financial engineering.

A leading banking partner, BMCE Bank,

which is part of FinanceCom, a major Moroccan financial group.

Strategic partners, including:

- Proparco
- International Finance Corporation (IFC - World Bank Group)
- West African Development Bank (BOAD)
- Netherlands Development Finance Company (FMO)
- Belgium Investment Company for Developing Countries (BIO).

Unique experience in Africa

- Continuous development for over 30 years.

(*) Figures as at 31/03/2015.

Five Economic Zones

- WAEMU
- ECOWAS
- EAC
- COMESA
- SACD

Consolidated accounts of BANK OF AFRICA Group

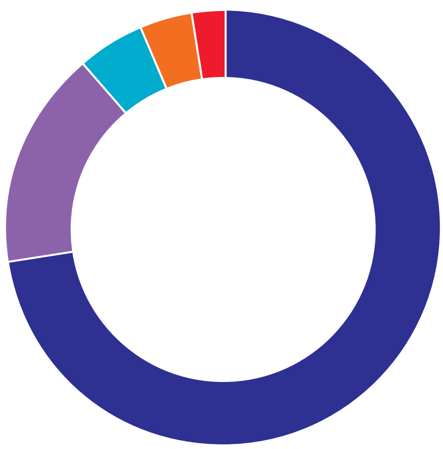
Euro 1 = CFAF 655.957 as at 31/12/2014.

- Net Income Group share: EUR 49 million.
- Net Operating Income: EUR 388 million.
- Total Assets: EUR 6,055 million.
- Shareholders' equity Group's share: EUR 364 million.
- Deposits: EUR 4,018 million.
- Loans: EUR 3,128 million.

BANK OF AFRICA Group shareholders

As at 31/12/2014.

BMCE Bank	72.70%
Private African investors	16.09%
FMO	5.02%
PROPARCO	3.84%
BIO	2.35%



Figures as at 31/12/2014.

Over 30 years of growth and expansion

Banking Network*

1983 MALI

15 Branches and 1 Business Centre in Bamako.
11 Regional Branches and 24 Local Branches.

1990 BENIN

22 Branches, 1 Business Centre and 2 Port Branches in Cotonou.
21 Regional Branches.

1994 NIGER

Created in 1989: NIGERIAN INTERNATIONAL BANK (NIB). Integrated to BOA Network in 1994.

14 Branches and 1 Business Centre in Niamey.
9 Regional Branches.

1996 CÔTE D'IVOIRE

Created in 1980: BANAFRIQUE.
Integrated to BOA Network in 1996.

18 Branches and 1 Business Centre in Abidjan.
8 Regional Branches and 2 Local Branches.

1998 BURKINA FASO

20 Branches and 1 Business Centre in Ouagadougou.
18 Regional Branches.

1999 MADAGASCAR

Created in 1989: BANKIN'NY TANTSAHA MPAMOKATRA (BTM) / national bank for rural development.
Integrated to BOA Network in 1999.

21 Branches and 1 Business Centre in Antananarivo.
61 Regional Branches.

2001 SENEGAL

19 Branches, 1 Business Centre and 1 WU Counter in Dakar.
12 regional Branches and 1 Regional WU Counter.

2004 BANQUE DE L'HABITAT DU BENIN

2 Branches in Cotonou.

2004 KENYA

Created in 1981: BANQUE INDOSUEZ Kenyan Branch > CREDIT AGRICOLE–INDOSUEZ > CALYON. Incorporated under Kenyan law, integrated as a subsidiary to BOA Network in 2004.

20 Branches and 1 Business Centre in Nairobi.
13 Regional Branches and 1 Business Centre in Mombasa.

2006 UGANDA

Created in 1985: SEMBULE INVESTMENT BANK Ltd. > ALLIED BANK. Integrated to BOA Network in 2006.

20 Branches and 1 Business Centre in Kampala.
14 Regional Branches.

2007 TANZANIA

Created in 1995: EURAFRICAN BANK – TANZANIA Ltd (EBT). Integrated to BOA Network in 2007.

11 Branches and 1 Business Centre in Dar es Salaam.
9 Regional Branches.

2008 BANQUE DE CREDIT DE BUJUMBURA

Created in 1909 in Brussels: BANQUE DU CONGO BELGE (BCB). 1922: BCB Branch in Usumbura, Burundi. 25 July 1964: BANQUE DE CREDIT DE BUJUMBURA S.M. (BCB). Integrated to BOA Network in 2008.

8 Branches, 1 Business Centre and 5 Counters in Bujumbura.
12 Branches and 1 Counter in Provinces.

2010 RDC

8 Branches à Kinshasa.
2 Regional Branches.

2010 DJIBOUTI

Created in 1908: BANQUE INDOSUEZ MER ROUGE (BIMR). Integrated to BOA Network in 2010.

6 Branches and 1 Counter in Djibouti.

2014 ETHIOPIA

1 Representative Office in Addis Ababa.

2011 GHANA

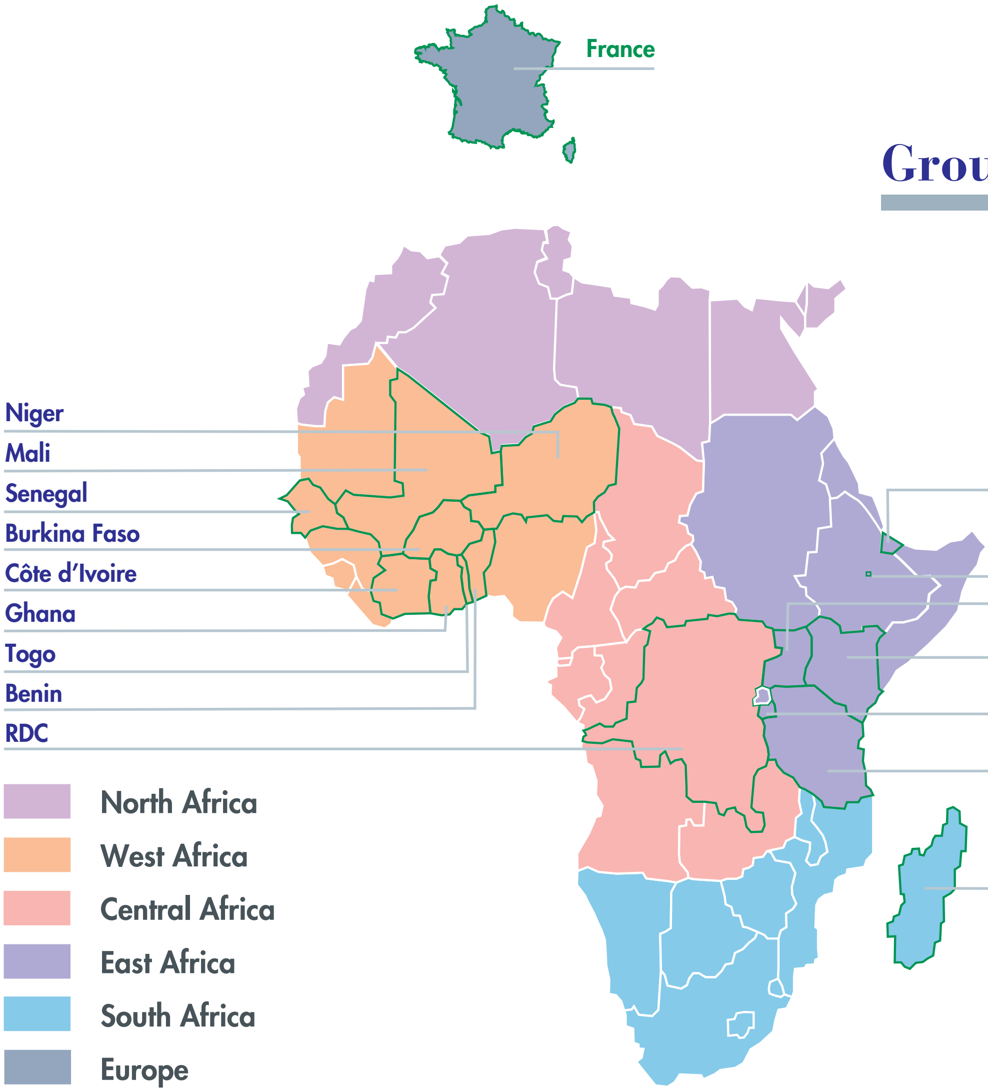
Created in 1999: AMALBANK.
Integrated to BOA Network in 2011.

14 Branches and 1 Business Centre in Accra.
5 Regional Branches.

2013 TOGO

8 Branches and 1 Business Centre in Lomé.

Group presence



Subsidiaries*

1997 ACTIBOURSE

Head Office in Abidjan. 1 contact in each BOA company.
Integrated to BOA Capital in 2014.

2002 AÏSSA

Head Office in Cotonou.

2002 AGORA

Head Office in Abidjan.

2004 ATTICA

Head Office in Abidjan.

2009 BOA-ASSET MANAGEMENT

Head Office in Abidjan.
Integrated to BOA Capital in 2014.

2010 BOA-FRANCE

4 Branches in Paris.
1 Regional Branch in Marseille.

Other entities*

1999 BANK OF AFRICA FOUNDATION

Present in many countries where the Group operates.

2000 BANK OF AFRICA GROUP EIG

Representative Office of the Group in Paris, France.

(*) BANK OF AFRICA Network as at 31/03/2015.

The BMCE BANK Group

The most internationally oriented Moroccan banking group

- Presence in 30 countries.
- More than 1,200 branches.
- More than 2.2 million customers.
- More than 12,391 employees.

A universal and multi-brand banking group

BMCE Bank S.A.

- Bank for Individuals and Professionals.
- Business bank.

Investment Banking Activities

- BMCE Capital S.A.
- BMCE Capital Bourse.
- BMCE Capital Gestion.

International activities

African Activity:

- Bank Of Africa: 72.70%.
- Banque de Développement du Mali: 27.38%.
- La Congolaise de Banque: 25%.

European activity:

- BMCE International Holding.

Specialised financial services

- Maroc Factoring: Factoring (100%).
- Salafin: Consumer credit (74.76%).
- Maghrebail: leasing (51%).
- Euler Hermes Acmar: Loans insurance (20%).
- RM Experts: Recovery (100%).

Other activities

- Locasom: Car rental (97.30%).
- Conseil Ingénierie et Développement: Engineering consulting firm (38.9%).
- Eurafric Information: IT Engineering (41%).

Figures as at 31/12/2014.

Performance of BMCE Bank Group

Figures as at 31/12/2014. Euro 1 = MAD 10.9695 at 31/12/2014.

Consolidated accounts 2014

- Net Income Group share: MAD 1,944 million.
- Net Operating Income: MAD 11,497 million.
- Total Assets: MAD 247 billion.
- Shareholders' equity Group's share: MAD 16 billion.
- Deposits: MAD 161 billion.
- Loans: MAD 155 billion.

Social accounts 2014

- Net Income: MAD 1,203 million.
- Net Operating Income: MAD 5,518 million.
- Gross Operating Income: MAD 2,606 million.

Net Income

Group shares by geographical zone.

Morocco: 67%.

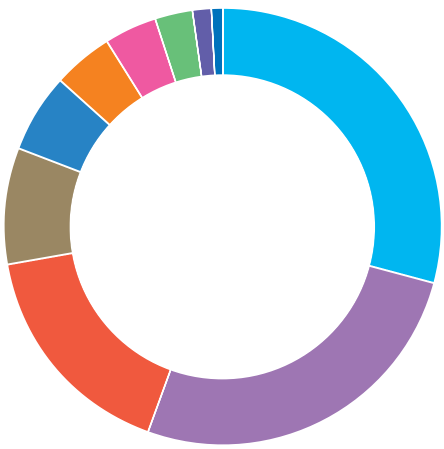
Africa: 27%.

Europe: 6%.

BMCE Bank Group Shareholders

As at 31/3/2015.

SFCM*	0.51%
BMCE Bank Staff	1.44%
Novo Banco	2.58%
CIMR	4.09%
MAMDA/MCMA	4.27%
FinanceCom*	5.97%
GROUPE CDG	8.46%
Free float	16.54%
BFCM Group CM-CIC	26.21%
RMA Wantanya*	29.93%



(*) Groupe FinanceCom 36.41%

Banking Products & Services in Uganda

Accounts

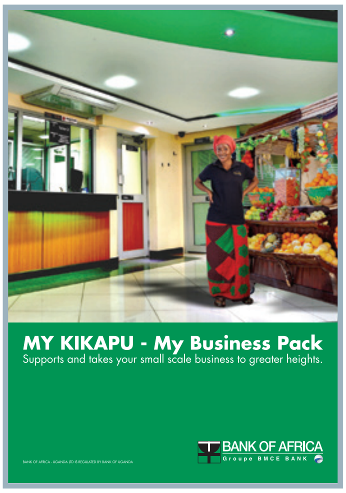
Embassy NGO Current Account
Embassy Staff Current Account
Personal Current Account
Remunerated Current Account
Salary Account
Single Fee Business Current Account
Single Fee Salary Account

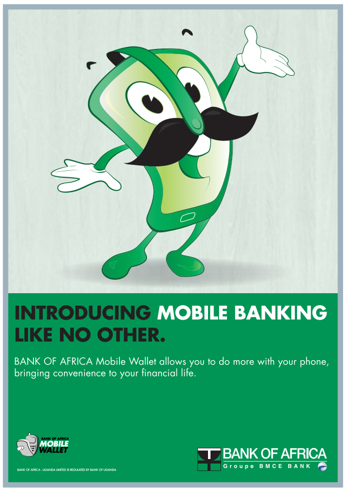
Investment Products

Ambitions Savings Plan
Children Savings Account 'Tots 2 Teens'
Ero Savings Account
Fixed Deposit Account
Forexave Account
Gold Plus Account
Group Savings Account 'VSLA'
Ordinary Savings 'Classic Savings Account'
Reward Savings Account
School Fees Collection Account
Student Account 'Young Mullah'

Electronic Banking

B-Web
Electronic Tuition Payments
Electronic Utility Bill Payments
E-tax Payments
SESAME Debit Card





Mobile Financial Services

Airtel Money
BANK OF AFRICA Mobile Wallet
B-Phone
B-SMS
MTN Mobile Money

Packs

EMPLOYEE Pack
MY BUSINESS Pack 'My Kikapu'
PUBLIC SERVICE Pack

Loans

Bridging Overdraft
Instant Cash
Mortgage Financing
Motor Cycle Loan
Motor Vehicle Loan
School Fees Loan

Transfers & Changes

Foreign Exchange
MoneyGram
Wari
Western Union

Complementary Products & Services

Banker's Cheques

Company Services

BOA in Uganda Ltd thus offers a wide range of products and services to Corporates, SMEs, Organizations, Institutions and Professionals.

2014 Activity Report

Ronald MARAMBII
Managing Director

Arthur ISIKO
Executive Director

As at 30/06/2015.
Portraits: © BOA - Head Office BOA in Uganda: © BOA

Comments from the Managing Director

2014 was a year of rebounding and mixed results as global economic recovery continued on a modest and uneven path among both advanced and emerging economies. The global growth rate closed at 3.3% as inflation remained low due to lower oil prices driven by increased supply against moderate demand.

In Uganda, real GDP growth in 2014 was 4.8%, identical to the 2013 outcome and characterised by higher growth rates in Agriculture and Industry but lower growth rates in the Services sector. Weak external demand was worsened by a rise in geopolitical tensions specifically in South Sudan, domestic policy uncertainty, and rising supply-side constraints. The result was a weak Shilling that depreciated by 10% against the US Dollar during the year, with depreciation pressures continuing in 2015.

Bank of Uganda has recently pursued a contractionary monetary policy to forestall the rise in core inflation over the medium term above the 5% target. Lending rates reflected a declining trend during the year but are expected to marginally rise as financial institutions react to the change in monetary policy.

2014 was a defining year for BANK OF AFRICA in Uganda in terms of performance milestones. During the year, the Bank overturned the economic fortunes from a loss making position in 2013 to a net profit of UGX 1.2 billion in 2014. Improvement in performance was largely on account of improved asset quality, reduced cost of funds and improving productivity. The Bank's total asset base grew by 16% in 2014 largely boosted by good growth in loans and advances mostly funded by more efficiently structured deposits.

The Bank was able to broaden its footprint in the country by opening two new branches in Central Uganda - Masaka branch, and an exclusive Business Centre in Kampala City. The Bank also launched a mobile branch to provide financial services to under-banked parts of Northern Uganda. Additionally, the Bank launched a mobile banking platform - *Mobile Wallet* - to further provide convenience to customers in accessing their accounts and making transactions using their mobile phones.

"2014 was a defining year for BANK OF AFRICA in Uganda in terms of performance milestones."

As has been the case in previous years, the Bank, as part of its social responsibility campaign continued to provide support to people affected by Sickle Cell disease and women struggling with Fistula with a charity drive that resulted in assorted donations to the Fistula ward of Uganda's national referral hospital - Mulago Hospital - during the year.

Global growth prospects will remain moderate although uneven across countries. Continued lower oil prices could boost global growth but with downside risks that include lower investment, increased market volatility, stagnation in the Euro area, and geopolitical events.

The Bank's performance is expected to be boosted by growth in yields but with downside risks in the foreign currency market. Nevertheless, the Bank will continue with its commitment to provide banking convenience in 2015 by further enhancing the mobile banking platform introduced in 2014 and launching the VISA card.

While we recognise that we still have a lot more to do, the strong foundation set in 2014 with the support of our committed staff gives us confidence in our prospects and our ability to achieve our strategic objectives in 2015. We remain grateful for the support and patronage of all our existing and prospective clients while not forgetting the unwavering support from all our stakeholders and shareholders.

Ronald MARAMBII

Managing Director

Highlights 2014

February

Held a Business clinic themed "Focused on Growing your Business" to provide direction, awareness and guidance to our SME and prospective clients. Over 30 SME business owners were in attendance.

March

Participated in the annual PSFU-SME Expo themed "Enhancing Uganda's competitiveness through strengthening Business Linkages".

Participation in the annual Banking Finance and Insurance Expo themed "Stable Growth and Risk Management - A foundation to business sustainability".

April

Launched the mobile banking service: "BANK OF AFRICA Mobile Wallet" into the market.

May

Mr. Ronald MARAMBII appointed as Managing Director BANK OF AFRICA in Uganda.

June

Sponsored two clients to the first China-Africa Business Forum.

Participated in the 2014 BANK OF AFRICA network management meetings, in Casablanca, Morocco.

August

Rolled out the new tariff guide after a successful product re-engineering to align the Bank's product offering to the market needs.

Launched Internal Staff Campaign to foster BOA corporate culture.

September

Held three customer feedback sessions.

Opened Masaka regional Branch, in Central Uganda.

Launched Bank on Wheels Unit at Key handover by Kampala NISSAN at a press conference held at the Head Offices.

Carried out mystery shopper research to provide an insight into the Customer Experience at BANK OF AFRICA in Uganda. Scored above average rating.

The Bank reached the 5,000 new accounts mark for the month before month end.

October

The Bank was the best in zone 2 in terms of productivity per staff.

Launch of the Business Centre, in Kampala, designed to provide customers and their business well-tailored solutions to their banking needs.

December

Participation in the 2014 BANK OF AFRICA Directors' meetings, in Dakar, Senegal.

Held the Customer Service Week, in line with the theme "Let's share this Moment".

1

2

1 - A customer gives feedback on the services he has received since he chose BOA as the preferred bank for his business.

2 - Managing Director BOA in Uganda, Ronald MARAMBII, joined by the Regional Manager and Branch Manager, take a selected number of customers round the newly opened Masaka Branch.

Key figures as at 31/12/2014

Activity

Deposits*	341,748
Loans*	241,959

Structure

Number of Employees	399

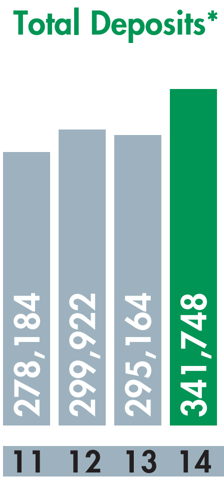
Income

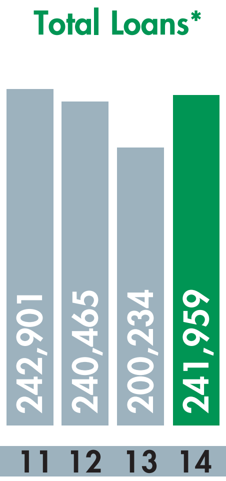
Net interest income*	29,263
Operating income*	49,583
Operating expense*	45,477
Profit before tax*	316
Profit after tax*	1,206

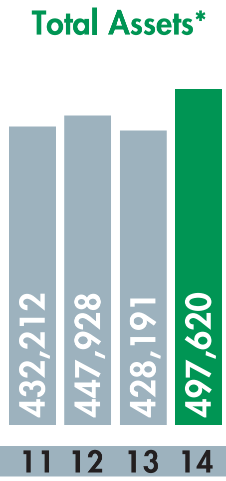
Total Assets

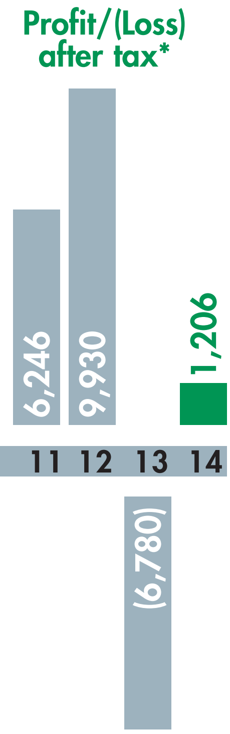
497,620

UShs million









(*) In UShs millions - (Euro 1= UShs 3,363.58 as at 31st December 2014).

A Relationship Officer demonstrates the use of the Mobile Wallet product to a customer at the official launch of this product held at the BOA-UGANDA Head Office in April 2014.

© BOA

Corporate Social Responsibility initiatives

Social

MTN Kampala Marathon
As part of our Corporate Social Responsibility strategy and brand promise to run our business in a socially responsible manner, we gave back to the community that has supported us and reached out to the people in Nakapiripit district, Karamoja Sub region through the MTN Marathon dubbed **Run for Water**.

The marathon was held on Sunday 23rd November 2014 and was aimed at pulling together funds for the people of Nakapiripit through taking clean water to them.

The marathon is a key highlight on the corporate social calendar and we had a delegation of 50 BOA staff participate; 3 Corporate teams and 32 individual participants.

Women's Day shilling for shilling campaign
In commemoration of the International Women's Day, theme: "Inspiring Change" the "BOA Woman Inspiring Change" shilling for shilling initiative was launched. The purpose of this initiative was to inspire change in a special and lasting way with our communities through reaching out to the women with Fistula at the Mulago National Referral Hospital.

In Uganda, 6,000 women die in childbirth every year, and those who do make it may face chronic medical issues, such as fistula. Fistula is a chronic medical condition that arises as a result of obstructed labor. The Ministry of Health estimates that anywhere from 140,000 to 200,000 Ugandan women currently have fistulas, with 1,900 new cases occurring each year. This incontinence can lead to social isolation and further medical problems such as infections and infertility.

The "BOA Woman Inspiring Change" Initiative not only partnered with Nakasero Blood Bank for a blood donation drive but also raised a total of Ushs 1,400,000 from BOA Staff that management of BOA matched "Shilling for Shilling". The funds were used to purchase sanitary items, a fully paid DSTV connected 21 – inch SAMSUNG LED Flat screen that were handed over in a small ceremony at the hospital.

1

2

1 - Some of the BANK OF AFRICA in Uganda staff members take a picture after their 10 km run at the MTN Kampala Marathon.

2 - BOA in Uganda staff present sanitary items and a fully paid DSTV connected 21-Inch SAMSUNG LED Flat screen to the women with Fistula at the Mulago National Referral Hospital.

Economic

WAWI Fistula Walk

Women At Work International (WAWI) is a Ugandan NGO improving the quality of life of women through health and income empowerment projects and has been at the forefront of the awareness, sensitization, prevention and treatment of Fistula Disease: a leading reproductive health problems caused after birth complications.

This has been done through an annual End Fistula charity walk. Having partnered with WAWI in the first charity walk, BOA in Uganda was privileged to be a part of the 2nd charity walk that took place on 5th July 2014. The purpose of the walk was to create awareness and garner support for Fistula patients to save motherhood.

Each year between 50,000 to 100,000 women worldwide are affected by obstetric fistula, a hole in the birth canal. The development of obstetric fistula is directly linked to one of the major causes of maternal mortality: obstructed labor. Women who experience obstetric fistula suffer constant incontinence, shame, and social segregation and health problems. It is estimated that more than 2 million young women live with untreated obstetric fistula in Asia and Sub-Saharan Africa.

The function attracted over 1,000 participants and was graced by the Speaker of the Parliament of Uganda: Honorable Rebecca KADAGA.

The Bank hosted over 200 Business clients to a Business Clinic held in March 2014. The purpose of the clinic was Knowledge sharing and capacity building in the area of banking and financial services and management, entrepreneurship with the aim of contribution towards development of the nation.

The clients met the Business Development team and were trained by the Bank staff. They were also addressed by a renowned Motivational speaker: Peter KIMBOWA on the topic, "Staying afloat by confronting reality".

1

2

1 - Steven KWESIGA (Head Retail Banking, BOA) and Halima NAMAKULA leading the walkers that joined the walk in the fight against Fistula.

2 - Some of the business clients attending the Business Clinic held in March 2014.

Board of Directors & Capital

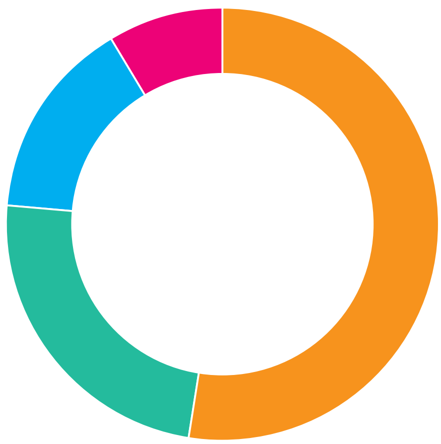
Board of Directors

At 31st December 2014, the Board of Directors comprised the following 10 members:

John CARRUTHERS, Chairman
Mohamed BENNANI
Abdelkabir BENNANI
Amine BOUABID
Vincent de BROUWER
Gertrude K. BYARUHANGA
Bernard J. CHRISTIAANSE
Arthur ISIKO
Mohan Musisi KIWANUKA
Ronald MARAMBII

Capital

The authorized share capital of the Bank is UShs 34,420,749,000 divided into 34,420,749 ordinary shares with par value of UShs 1,000 each. The issued share capital is UShs 34,420,749,000 as at 31st December 2014. The following was the Bank's shareholding structure as at 31st December 2014.



52.72% BANK OF AFRICA IN KENYA
23.70% AFH-OCEAN INDIEN
15.01% NETHERLANDS DEVELOPMENT FINANCE COMPANY (FMO)
8.57% CENTRAL HOLDINGS Ltd.

Report and Financial Statements

As at 31 December 2014

John CARRUTHERS
Chairman of the Board

2014 Uganda key figures

Area (thousand km²):	**241.5**
Population (million inhabitants):	**37.5**
GDP (USD billions):	**21.4**
GDP Per capita (USD):	**570.6**
Number of banks:	**25**

Estimations as at 31/12/2014.

Comments from the Chairman of the Board

2014 was a defining year of recovery and restructuring of internal process for the Bank as portfolio quality, due diligence on credit and control took precedence. During the year, we also witnessed the appointment of a new Managing Director, Mr. Ronald Gitonga Marambii, who brings to the Bank a wealth of banking experience spanning over nineteen years. Having served within the BOA Group for over ten years, we have seen a commendable transition in the business as noted in the Bank's return to profitability in 2014.

As part of BOA Group's wider strategy, the BMCE Bank business model continued to take shape during the year as we continually aligned and refined our operational and business processes to achieve total efficiency and value for our customers who we place at the forefront of our activities. In 2015, we will continue to pride ourselves in the strength of BOA Group to forge even stronger synergies that contribute to the development of the Ugandan economy and also provide value to both our customers and stakeholders.

This Annual Report provides detail on the performance of our core businesses. The Managing Director's review also provides the year's performance and progress on strategy delivery in more detail.

The Global economy expanded during 2014 at a moderate and uneven pace. Legacies from the global financial crisis continued to weigh on growth, while new challenges emerged, including geopolitical conflicts such as the events in Ukraine, and the Ebola epidemic in West Africa. Uganda was no stranger to these challenges as our global competitiveness suffered as a result of deterioration in the balance of payments and depreciation of the Uganda Shilling.

During the year, the Central Bank increased the commercial banking capital requirements with minimum capital adequacy ratios rising by 2.5% as an additional buffer to provide cushion for market risks. In addition, Government eliminated the prevailing tax exemptions on interest income on agricultural loans and computer software, and introduced of a 10% excise duty on bank charges and money transfer fees, which in combination increased the operating costs in the economy. These developments required the Bank to incorporate additional cost efficiencies in its strategy.

However, despite these challenges in the operating and regulatory environments, the Bank managed to register commendable results in all key performance indicators and bounce back to profitability.

"To contribute to the development of the Ugandan economy."

In 2014 we continued to live out our tag line: "As Strong As a Group, As Close as a Partner" through our social responsibility initiatives. These initiatives are embedded in our values which inform how we conduct business, develop products and services and deliver on our goals and commitments. Our initiatives included participation in extensive financial literacy education, support in the health sector with specific focus on the fight against Sickle Cell disease and Fistula in Uganda. We will continue to play an active role in support to these important causes.

The strong foundations set in 2014 give us confidence in our prospects and our ability to achieve our strategic objectives in 2015, despite uncertainties with regard to the political, regulatory, economic and competitive environment that will bring along with them un-even economic growth patterns. We shall continue the process of fully integrating and deriving value from the solid strategic and operational support provided by BMCE Group, the ultimate holding company of BOA Group.

On behalf of the Board of Directors, I acknowledge the significant contribution of the management team, staff and shareholders of the Bank for their loyalty and diligence in the delivery of the Bank's transformation in 2014. I also thank our customers, regulators, and other stakeholders for their continued support and confidence in us.

John CARRUTHERS

Chairman of the Board

Corporate Information

Registered office

The address of the registered office is:

BANK OF AFRICA – UGANDA Ltd.
Plot 45, Jinja Road
P.O. Box 2750
Kampala, Uganda

Company Secretary

Rehmah Nabunya
Plot 45 Jinja Road
P.O. Box 2750
Kampala, Uganda

Auditor

PricewaterhouseCoopers
Certified Public Accountants
10th floor, Communications House
1 Colville Street
P.O. Box 882
Kampala, Uganda

Business Centre

Plot 9, Kitante Road - P.O. Box 2750 - Kampala

Branches

MAIN BRANCH - Plot 45, Jinja Road - P.O. Box 2750 - Kampala

EQUATORIAL BRANCH - Plot 84/86 Ben Kiwanuka Street - P.O. Box 2750 - Kampala

NDEEBA BRANCH - Plot 1024 Masaka Road, Ndeeba - P.O. Box 2750 - Kampala

PARK BRANCH - Mukwano Centre, Plot 40/46 Ben Kiwanuka Street - P.O. Box 2750 - Kampala

KAMPALA ROAD BRANCH - Plot 48 Kampala Road - P.O. Box 2750 - Kampala

NTINDA BRANCH - Plot 7 Ntinda Road, Ntinda - P.O. Box 2750 - Kampala

WANDEGEYA BRANCH - KM Plaza, Plot 18 Bombo Road - P.O. Box 2750 - Kampala

ENTEBBE BRANCH - Plot 16 Kampala Road - P.O. Box 2750 - Kampala

NAKIVUBO BRANCH - Plot 15 Nakivubo Road - P.O. Box 2750 - Kampala

MUKONO BRANCH - Plot 13 Kampala Road - P.O. Box 2750 - Kampala

KABALAGALA BRANCH - Plot 559 Ggaba Road - Kabalagala - P.O. Box 2750 - Kampala

OASIS BRANCH - Oasis Mall - Plot 88/94 Yusuf Lule Road - P.O. Box 2750 - Kampala

JINJA MAIN BRANCH - Plot 1 Main Street - P.O. Box 2095 - Jinja

JINJA CLIVE ROAD BRANCH - Plot 18, Clive Road East - P.O. Box 2095 - Jinja

ARUA BRANCH - Plot 19 Avenue Road - P.O. Box 894 - Arua

LIRA BRANCH - Plot 1A Balla Road - P.O. Box 292 - Lira

MBARARA BRANCH - Plot 1 Mbaguta Road - P.O. Box 1163 - Mbarara

MBALE BRANCH - Plot 26, Cathedral Avenue - P.O. Box 553 - Mbale

FORT PORTAL BRANCH - Plot 14 Bwamba Road - P.O. Box 359 - Fort Portal

GULU BRANCH - Plot 11 Awere Road - P.O. Box 921 - Gulu

NALUKOLONGO MINI BRANCH - Plot 4 Wankulukuku Road - P.O. Box 2750 - Kampala

KAWEMPE BRANCH - Plot 165 Bombo Road - P.O. Box 2750 - Kampala

KOLOLO BRANCH - Plot 9 Cooper Road (Kisementi) - P.O. Box 2750 - Kampala

LUZIRA BRANCH - Plot 1329/1330 Portbell - P.O. Box 2750 - Kampala

NANSANA BRANCH - Plot 5390 Nansana - P.O. Box 2750 - Kampala

NATEETE BRANCH - Plot 1-2 Old Masaka Road - P.O. Box 2750 - Kampala

HOIMA BRANCH - Plot 13 Wright Road Hoima - P.O. Box 2750 - Kampala

BBIRA MINI BRANCH - Plot 439 Mityana Road, Bbira - P.O. Box 2750 - Kampala

PATONGO BRANCH - Plot 33 Dollo Road, Patongo - P.O. Box 929 - Lira

KALONGO MINI BRANCH - Plot 16 Kalong Road, Kalongo TC - P.O. Box 929 - Lira

NAMASUBA BRANCH - Plot 4010, Entebbe Rd, Namasuba - P.O. Box 2750 - Kampala

RWENZORI MINI BRANCH - Plot 1 Lumumba Avenue - P.O. Box 2750 - Kampala

RUBIRIZI BRANCH - Kasese Road - P.O. Box 1163 - Mbarara

MASAKA BRANCH - Plot 7, Birch Avenue - Masaka

Director's Report

For the year ended 31 December 2014

The Directors submit their report together with the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of BANK OF AFRICA – UGANDA Ltd. ("the Bank").

Principal activities

The Bank is engaged in the business of banking and the provision of related services and is licensed under the Financial Institutions Act 2004.

Results and dividend

The profit for the year of Ushs 1,206 million (2013: loss of Ushs 6,780 million) has been taken to retained earnings. The Directors do not recommend the payment of a dividend for the year ended 31 December 2014 (2013: Nil).

Directors

The Directors who held office during the year and to the date of this report were:

Mr. John CARRUTHERS	**Chairman**
Mr. Ronald MARAMBII	Managing Director (Appointed 14 February 2014)
Ms. Edigold MONDAY	Managing Director (Resigned 19 February 2014)
Mr. Arthur ISIKO	Executive Director
Mr. Mohamed BENNANI	Non-executive Director
Mr. Abdelkabir BENNANI	Non-executive Director
Mr. Mohan M. KIWANUKA	Non-executive Director
Mr. Vincent de BROUWER	Non-executive Director
Mr. Bernard J. CHRISTIAANSE	Non-executive Director
Ms. Gertrude K. BYARUHANGA	Non-executive Director (Appointed 24 March 2014)
Mr. Amine BOUABID	Non-executive Director (Appointed 14 October 2014)
Mr. Kwame AHADZI	Non-executive Director (Resigned 1 September 2014)

Corporate governance

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

Mohamed BENNANI, Chairman & CEO BOA GROUP S.A., addresses customers and staff at the official launch of the Business Centre.

Board of Directors

The Bank has a broad-based board of Directors. The board functions as a full board and through various committees constituted to oversee specific operational areas. The board has constituted four committees. These are the Risk Management Committee, Asset and Liability Management Committee, Staff and Compensation Committee, and the Audit Committee. All board committees are constituted and chaired by non-executive Directors. As at 31 December 2014, the Board of Directors consisted of 10 members.

Committee	Head	Membership	Meeting frequency
Risk Management	Non-executive Director	3 non-executive members 1 executive member	Quarterly
Asset and Liability Management	Non-executive Director	3 non-executive members 1 executive member	Quarterly
Staff and Compensation	Non-executive Director	4 non-executive members	Quarterly
Audit	Non-executive Director	4 non-executive members	Quarterly

In addition to the above committees, there are committees at management level comprised of senior management that meet on a daily, weekly, monthly, and/or quarterly basis.

Auditor

The Bank's auditor, PricewaterhouseCoopers was reappointed during the year ended 31 December 2014 and continues in office in accordance with the provisions of Section 167 (2) of the Companies Act and Section 62 (3) of the Financial Institutions Act 2004.

By order of the Board

Rehmah NABUNYA
Secretary

18th February 2015

Statement of Directors' Responsibilities

For the year ended 31 December 2014

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Ugandan Companies Act and the Financial Institutions Act 2004. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its loss in accordance with International Financial Reporting Standards and with the requirements of the Ugandan Companies Act and the Financial Institutions Act 2004. 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 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 Bank will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:

John CARRUTHERS
Chairman

Ronald MARAMBII
Director

Mohan M. KIWANUKA
Director

18th February 2015

Managing Director BOA in Uganda, Ronald MARAMBII, partners from ABI Trust and East African motors and Members of parliament, take a picture after the official opening and touring of the mobile branch.

Report of the Independent Auditor

to the members of BANK OF AFRICA – UGANDA Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of BANK OF AFRICA – UGANDA Ltd. ("the Bank"), set out on pages 30 to 72. These financial statements comprise the Statement of Financial Position at 31 December 2014 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory Notes.

Directors' responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Ugandan Companies Act and the Financial Institutions Act 2004, 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.

Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the Bank's financial affairs at 31 December 2014 and its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Ugandan Companies Act and the Financial Institutions Act 2004.

Inside the Headquarters in Uganda.

Report on other legal and regulatory requirements

The Ugandan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;

iii) the Bank's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of account.

Signed by:

PricewaterhouseCoopers
Certified Public Accountants
Kampala

15th April 2015

Financial Statements

As at 31 December 2014

TOTAL ASSETS: 497,620 UShs million

TOTAL OPERATING INCOME: 49,583 UShs million

TOTAL PROFIT FOR THE YEAR: 1,206 UShs million

As at 31/12/2014.
Head Office BOA in Uganda: © BOA

Financial Statements

For the year ended 31 December 2014

Statement of Comprehensive Income

	NOTES	2014 USHS MILLIONS	2013 USHS MILLIONS
INTEREST INCOME	5	44,176	47,501
INTEREST EXPENSE	6	(14,913)	(17,771)
NET INTEREST INCOME		**29,263**	**29,730**
IMPAIRMENT LOSSES ON LOANS AND ADVANCES	16 (b)	(3,788)	(13,100)
NET INTEREST INCOME AFTER LOAN IMPAIRMENT CHARGES		**25,475**	**16,630**
FEE AND COMMISSION INCOME	7	17,674	14,289
FEE AND COMMISSION EXPENSE	8	(3,334)	(2,219)
NET FOREIGN EXCHANGE GAINS	9	3,338	2,490
OTHER OPERATING INCOME		2,640	1,091
OPERATING EXPENSES	10	(45,477)	(40,481)
PROFIT/(LOSS) BEFORE INCOME TAX		**316**	**(8,200)**
INCOME TAX CREDIT	12	890	1,420
PROFIT/(LOSS) FOR THE YEAR		1,206	(6,780)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		**1,206**	**(6,780)**
EARNINGS/(LOSS) PER SHARE - BASIC AND DILUTED (SHS PER SHARE)	29	38	(249)

The Notes on pages 34 to 72 are an integral part of these financial statements.

Statement of Financial Position as at 31 December 2014

	NOTES	2014 USHS MILLIONS	2013 USHS MILLIONS
ASSETS			
CASH AND BALANCES WITH BANK OF UGANDA	13	66,337	68,459
DEPOSITS AND BALANCES DUE FROM OTHER BANKING INSTITUTIONS	14	29,857	16,925
DEPOSITS DUE FROM GROUP COMPANIES	30 (a)	19,241	5,946
DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	15 (b)	34	-
GOVERNMENT SECURITIES	15 (a)	101,761	101,107
LOANS AND ADVANCES TO CUSTOMERS	16 (a)	241,959	200,234
OTHER ASSETS	17	7,173	6,903
CURRENT INCOME TAX RECOVERABLE	12	443	56
PROPERTY AND EQUIPMENT	18	13,987	15,278
OPERATING LEASE PREPAYMENTS	19	3,145	3,192
INTANGIBLE ASSETS	20	3,378	2,879
DEFERRED INCOME TAX ASSET	25	10,305	7,212
TOTAL ASSETS		**497,620**	**428,191**
LIABILITIES			
CUSTOMER DEPOSITS	21	341,748	295,164
DEPOSITS AND BALANCES DUE FROM OTHER BANKING INSTITUTIONS	22	11,077	12,454
DEPOSITS DUE TO GROUP COMPANIES	30 (b)	32,620	7,615
DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	15 (b)	-	8
OTHER BORROWINGS	23	39,086	52,912
OTHER LIABILITIES	24	10,432	7,375
TOTAL LIABILITIES		**434,963**	**375,528**
EQUITY			
SHARE CAPITAL	26	34,421	29,499
SHARE PREMIUM	26	14,757	10,891
REGULATORY CREDIT RISK RESERVE	16 (c)	1,628	1,927
RETAINED EARNINGS		11,851	10,346
TOTAL EQUITY		**62,657**	**52,663**
TOTAL EQUITY AND LIABILITIES		**497,620**	**428,191**

The financial statements on pages 30 to 72 were approved for issue by the Board of Directors on 18th February 2015 and signed on its behalf by:

John CARRUTHERS
Chairman

Ronald MARAMBII
Director

Mohan M. KIWANUKA
Director

Rehmah NABUNYA
Secretary

The Notes on pages 34 to 72 are an integral part of these financial statements.

Financial Statements

For the year ended 31 December 2014

Statement of Changes in Equity

	NOTES	SHARE CAPITAL	SHARE PREMIUM	REGULATORY RESERVE	RETAINED EARNINGS	TOTAL EQUITY
		USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
YEAR ENDED 31 DECEMBER 2013						
AT 1 JANUARY 2013	26	25,000	5,390	2,958	22,920	56,268
COMPREHENSIVE INCOME:						
LOSS FOR THE YEAR		-	-	-	(6,780)	(6,780)
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**-**	**(6,780)**	**(6,780)**
TRANSFER FROM REGULATORY RESERVE		-	-	(1,031)	1,031	-
TRANSACTIONS WITH OWNERS:						
RIGHTS ISSUE		4,499	5,501	-	-	10,000
FINAL DIVIDEND PAID FOR 2012		-	-	-	(6,825)	(6,825)
AT END OF YEAR	**26**	**29,499**	**10,891**	**1,927**	**10,346**	**52,663**
YEAR ENDED 31 DECEMBER 2014						
AT 1 JANUARY 2014	26	29,499	10,891	1,927	10,346	52,663
COMPREHENSIVE INCOME:						
PROFIT FOR THE YEAR		-	-	-	1,206	1,206
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**-**	**1,206**	**1,206**
TRANSFER FROM REGULATORY RESERVE		-	-	(299)	299	-
TRANSACTIONS WITH OWNERS:						
RIGHTS ISSUE		4,922	3,866	-	-	8,788
AT END OF YEAR	**26**	**34,421**	**14,757**	**1,628**	**11,851**	**62,657**

The Notes on pages 34 to 72 are an integral part of these financial statements.

Statement of Cash Flows

	NOTES	2014	2013
		USHS MILLIONS	USHS MILLIONS
CASH FLOWS FROM OPERATING ACTIVITIES			
INTEREST RECEIPTS		43,683	47,744
INTEREST PAYMENTS		(16,866)	(19,861)
NET FEE AND COMMISSION RECEIPTS		14,340	12,070
OTHER INCOME RECEIVED		10,649	3,567
RECOVERIES FROM LOANS PREVIOUSLY WRITTEN OFF	16 (b)	1,283	6,735
PAYMENTS TO EMPLOYEES AND SUPPLIERS		(41,630)	(36,243)
INCOME TAX PAID	12	(2,590)	(2,213)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**8,869**	**11,799**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
LOANS AND ADVANCES		(52,566)	18,332
CASH RESERVE REQUIREMENT		(3,727)	381
OTHER ASSETS		(304)	(352)
CUSTOMER DEPOSITS		48,421	(2,987)
DEPOSITS DUE TO OTHER BANKS		(1,337)	(4,574)
AMOUNTS DUE TO GROUP COMPANIES		24,895	2,249
OTHER LIABILITIES		5,122	3,634
GOVERNMENT SECURITIES		9,859	(24,776)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**30,363**	**3,706**
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASE OF PROPERTY AND EQUIPMENT	18	(2,593)	(2,373)
PURCHASE OF INTANGIBLE ASSETS	20	(960)	(1,414)
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT		24	15
NET CASH UTILISED IN INVESTING ACTIVITIES		**(3,529)**	**(3,772)**
CASH FLOWS FROM FINANCING ACTIVITIES			
ISSUE OF ORDINARY SHARES	26	8,788	10,000
REPAYMENT OF BORROWED FUNDS	23	(13,600)	(11,049)
DIVIDENDS PAID		-	(6,825)
NET CASH UTILISED IN FINANCING ACTIVITIES		(4,812)	(7,874)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**30,891**	**(7,940)**
CASH AND CASH EQUIVALENTS AT START OF YEAR		82,118	90,058
CASH AND CASH EQUIVALENTS AT END OF YEAR	**28**	**113,009**	**82,118**

The Notes on pages 34 to 72 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2014

1. General information

The Bank is incorporated in Uganda under the Ugandan Companies Act as a limited liability company, and is domiciled in Uganda. The address of its registered office is:

BANK OF AFRICA – UGANDA Ltd.
Plot 45, Jinja Road
P.O. Box 2750
Kampala,
Uganda

For the Ugandan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the Statement of comprehensive income by the statement of comprehensive income in these financial statements.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Uganda Shillings, rounded to the nearest million (UShs M).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) The following standards/amendments have been adopted by the Bank for the first time for the financial year beginning on 1 January 2014 but have no impact on the Bank:

IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities.
This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

IAS 36, 'Impairment of assets' on the recoverable amount disclosures for non-financial assets.
This amendment removed certain disclosures of the recoverable amount of Cash Generating units (CGUs) which had been included in IAS 36 by the issue of IFRS 13.

IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting.
This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

(ii) New and amended standards adopted by the Bank

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37, 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised.

(iii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January and earlier application is permitted. The company is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Uganda Shillings ("UShs") which is the Bank's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

(c) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' or 'interest expense' respectively in the Statement of Comprehensive Income 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 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 group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

(d) Fees 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.

(e) Financial assets

The Bank classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and advances; held-to-maturity financial assets and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition. Currently the bank does not have financial assets at fair value through profit or loss.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Financial assets are designated at fair value through profit or loss when:
- doing so significantly reduces or eliminates a measurement inconsistency; or
- they form part of a group of financial assets that is managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

(ii) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- those classified as held for trading and those that the Bank on initial recognition designates as at fair value through profit and loss;
- those that the Bank upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the Bank to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any other categories.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Statement of comprehensive income in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of comprehensive income as 'gains and losses from investment securities'.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

(f) Derivative financial instruments

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the balance sheet date or appropriate pricing models. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the Statement of comprehensive income.

(g) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to customers or placements with other banks, 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.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(i) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; (e) the disappearance of an active market for that financial asset because of financial difficulties; or

(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(vi) adverse changes in the payment status of borrowers in the portfolio; and

(vii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 3 months and 6 months.

a) Assets carried at amortised cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of comprehensive income. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to customers are classified in loan impairment charges whilst impairment charges relating to investment securities are classified in 'Net gains/(losses) on investment securities'. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the Statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of comprehensive income.

In addition to the measurement of the impairment losses on loans and advances in accordance with IFRS as set out above, the Bank is required by the Financial Institutions Act 2004 to estimate losses on loans and advances as follows:

1. Specific provision for the loans and advances considered non performing (impaired) based on the criteria, and classification of such loans and advances established by the Bank of Uganda, as follows:

- **a)** Substandard loans with arrears period from 90 to 179 days – 20%;
- **b)** Doubtful loans and advances with arrears period from 180 to 364 days – 50%; and
- **c)** Loss with arrears period exceeding 364 days – 100% provision.

2. General provision of 1% of credit facilities less provisions and suspended interest.

In the event that provisions computed in accordance with the Financial Institutions Act 2004 exceed provisions determined in accordance with IFRS, the excess is accounted for as an appropriation of retained earnings. Otherwise no further accounting entries are made.

b) Assets carried at fair value

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Comprehensive Income.

Impairment losses recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Statement of Comprehensive Income.

(j) Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

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 'operating expenses' during the period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated on the straight line basis to allocate their cost less their residual values over their estimated useful lives, as follows:

(j) Property and equipment (continued)

BUILDINGS	50 years
MOTOR VEHICLES	4 years
FIXTURES, FITTINGS AND EQUIPMENT	3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The Bank assesses at each balance sheet date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in "other income" in the Statement of comprehensive income.

(k) Intangible assets

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 their estimated useful lives (three years).

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 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.

Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

(l) Income tax

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

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income Tax Act. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the balance sheet date.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Central Bank, treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Central Bank.

(n) Employee benefits

(i) Retirement benefit obligations

The Bank operates a defined contribution retirement benefit scheme for all its permanent confirmed employees. The Bank and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. A defined contribution plan is a retirement benefit 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. A defined benefit plan is a retirement benefit plan that is not a defined contribution plan and defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Bank and employees.

The Bank's contributions to the defined contribution schemes are charged to the Statement of Comprehensive Income in the year in which they fall due.

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(o) Customer deposits

Deposits from customers are measured at amortised cost using the effective interest rate method.

(p) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

(q) Share capital

Ordinary shares are classified as 'share capital' in equity and measured at the fair value of consideration receivable without subsequent re-measurement. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(r) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(s) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

(i) With the Bank as lessee

To date, all leases entered into by the Bank are operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(ii) With the Bank as lessor

Leases of assets where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are measured subsequently at their fair value.

To date, the Bank has not leased out any assets as lessor.

(t) Acceptances and letters of credit

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

(u) Grants

Grants include assistance offered by government, government agencies and similar bodies whether local, national, or international in the form of transfers of resources in return for past, of future compliance with certain conditions relating to the operation of the Bank. Grants related to assets are those whose primary condition is that the Bank should purchase long term assets.

Grants are recognised when there is reasonable assurance that the Bank will comply with the conditions attached to the grant and that the grant will be received.

Grants awarded towards the purchase of assets are netted off against the total purchase price in arriving at the carrying value of the asset. The grant is then recognised as income through profit or loss over the life of the asset by way of a reduction in the depreciation charge of the asset.

3. Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Deferred income tax asset

In 2014, the Bank recognised a deferred tax asset of UShs 10,305 million in respect of accumulated tax losses based on management's projections that sufficient taxable profits will be generated in 2015 against which the deferred tax asset will be utilised. The deferred tax has been maintained in the balance sheet with an assumption that 2015 will be profitable based on the projected decrease in cost of funds and cost to income ratio and increase in customer deposits.

(b) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the Statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. As at 31 December 2014, an IAS 39 provision was computed for unidentified and identified impairment. For significant facilities which account for 89% of the total loan portfolio, impairment loss was measured on the basis of the present value of estimated future cash flows discounted at the original effective interest rate. Future expected cash flows were determined based on the value of the collateral held for which the Bank's interest was registered.

For all loans not identified as individually impaired and for those identified as being impaired but classified as insignificant an impairment provision was computed using the existing bank historical loss experience to arrive at the credit loss ratio. A loss ratio of 0.96% was obtained using bank data over a period of 5 years.

(c) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets 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 valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created 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 practicable, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(d) Held-to-maturity financial assets

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such assets to maturity. If the Bank fails to keep these assets to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to classify the entire class as available-for-sale. The assets would therefore be measured at fair value not amortised cost.

4. Financial risk management

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

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

(a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is the most important risk for the Bank's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralised in the credit risk management team in the Risk department, which reports regularly to the Board of Directors.

(i) Credit risk measurement

Loans and advances (including 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. The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

Probability of default

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgement. They are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into four rating classes.

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, customers are segmented into five rating classes as shown below:

Bank's internal ratings scale

BANK'S RATING	DESCRIPTION OF THE GRADE
1	STANDARD AND CURRENT
2	WATCH
3	SUBSTANDARD
4	DOUBTFUL
5	LOSS

(ii) Risk limit control and mitigation policies

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

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate.

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 funds advanced, 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 communal and/or business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

b) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer 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 borrowing.

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. 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.

(iii) Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:

	2014	2013
	USHS MILLIONS	USHS MILLIONS
PLACEMENTS WITH OTHER BANKS (NOTE 14)	29,857	16,925
AMOUNTS DUE FROM GROUP COMPANIES (NOTE 30 (a))	19,241	5,946
LOANS AND ADVANCES TO CUSTOMERS (NOTE 16)	241,959	200,234
GOVERNMENT SECURITIES (NOTE 15 (a))	101,761	101,107
OTHER ASSETS (NOTE 17)	7,173	6,903
CREDIT RISK EXPOSURES RELATING TO OFF-BALANCE SHEET ITEMS:		
- ACCEPTANCES AND LETTERS OF CREDIT	13,126	6,949
- GUARANTEE AND PERFORMANCE BONDS	54,774	65,186
- COMMITMENTS TO LEND	15,452	19,744
TOTAL EXPOSURE	**483,343**	**422,994**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2014, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the balance sheet.

As shown above, 60% of the total maximum exposure is derived from loans and advances to banks and customers. 21% represents investments in debt securities.

Loans and advances to customers, other than to major corporate and to salaried individuals borrowing less than Shs 60 million, are secured by collateral in the form of charges over land and buildings and/or plant and machinery and other assets, corporate and personal guarantees or assignment of contract proceeds.

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

- the Bank exercises stringent controls over the granting of new loans
- 76% of the loans and advances portfolio are neither past due nor impaired
- 99% of the loans and advances portfolio is not impaired
- 81% of the loans and advances portfolio are backed by collateral

(iv) Loans and advances

	2014	2013
	USHS MILLIONS	USHS MILLIONS
NEITHER PAST DUE NOR IMPAIRED	187,465	142,836
PAST DUE BUT NOT IMPAIRED	56,271	52,210
IMPAIRED	3,290	17,689
GROSS	247,026	212,735
LESS: ALLOWANCE FOR IMPAIRMENT (NOTE 16 (a))	(5,067)	(12,501)
NET AMOUNT	**241,959**	**200,234**

Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank:

	2014	2013
	USHS MILLIONS	USHS MILLIONS
STANDARD AND WATCH	187,465	142,836

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Loans and advances greater than 90 days are not considered impaired if there is sufficient collateral to cover the facility. The gross amounts of loans and advances that were past due but not impaired were as follows:

	2014	2013
	USHS MILLIONS	USHS MILLIONS
PAST DUE UP TO 30 DAYS	47,313	44,776
PAST DUE 31 - 60 DAYS	4,363	3,956
PAST DUE 61 - 90 DAYS	801	1,011
PAST DUE OVER 90 DAYS	3,794	2,467
TOTAL	**56,271**	**52,210**

Individually impaired

Of the total gross amount of impaired loans and advances, the following amounts have been individually assessed:

	2014	2013
	USHS MILLIONS	USHS MILLIONS
INDIVIDUALLY ASSESSED IMPAIRED LOANS		
- CORPORATE	1,614	6,183
- SME	35	8,690
- CONSUMER	1,641	2,816
TOTAL	**3,290**	**17,689**
FAIR VALUE OF COLLATERAL HELD	**822**	**7,878**

(iv) Loans and advances (continued)

Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loans. Renegotiated loans that would otherwise be past due or impaired totalled UShs 7,890 million (2013: UShs 7,973 million).

Repossessed collateral

During 2014, the Bank did not re-possess any collateral held as security. The Bank's policy is to dispose of repossessed properties as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property not sold by year end is classified in the balance sheet within "other assets".

(b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank of Uganda requires that the Bank maintains a cash reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Treasury department monitors liquidity ratios on a daily basis. Sources of liquidity are regularly reviewed by a separate team in the Treasury department to maintain a wide diversification by provider, product and term.

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

The table below presents the undiscounted cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date and from financial assets by expected maturity dates.

AT 31 DECEMBER 2014

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
	USHS M	USHS M	USHS M	USHS M	USHS M	USHS M
LIABILITIES						
CUSTOMER DEPOSITS	295,209	10,230	36,309	-	-	341,748
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	11,077	-	-	-	-	11,077
AMOUNTS DUE TO GROUP COMPANIES	29,845	-	2,775	-	-	32,620
OTHER BORROWED FUNDS	314	-	3,972	34,105	695	39,086
OTHER LIABILITIES	9,220	1,212	-	-	-	10,432
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	**345,665**	**11,442**	**43,056**	**34,105**	**695**	**434,963**
ASSETS						
CASH AND BANK BALANCES WITH CENTRAL BANK	66,337	-	-	-	-	66,337
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	29,857	-	-	-	-	29,857
AMOUNTS DUE FROM GROUP COMPANIES	15,554	-	3,687	-	-	19,241
LOANS AND ADVANCES TO CUSTOMERS	45,697	46,034	17,147	130,010	3,071	241,959
GOVERNMENT SECURITIES	14,846	17,175	68,711	1,029	-	101,761
PROPERTY AND EQUIPMENT	183	7	295	6,339	7,163	13,987
INTANGIBLE ASSETS	-	1	102	3,275	-	3,378
OTHER ASSETS	3,830	-	7,655	-	9,615	21,100
TOTAL ASSETS (EXPECTED MATURITY DATES)	**176,304**	**63,217**	**97,597**	**140,653**	**22,994**	**500,765**
ON-BALANCE SHEET MISMATCH	**(169,361)**	**51,775**	**54,541**	**106,548**	**22,299**	**65,802**
NET OFF-BALANCE SHEET MISMATCH	(23,123)	(16,237)	(46,534)	(1,315)	-	(87,209)
NET LIQUIDITY POSITION	**(192,484)**	**35,538**	**8,007**	**105,233**	**22,299**	**(21,407)**
AT 31 DECEMBER 2013 **NET LIQUIDITY GAP**	**(87,862)**	**1,048**	**31,611**	**62,038**	**(6,835)**	**-**

(c) Market risk

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

(c) Market risk (continued)

Currency 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 total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2014 and 2013. Included in the table are the Bank's financial instruments, categorised by foreign currency.

	USD	GBP	EURO	OTHER	TOTAL
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
AT 31 DECEMBER 2014					
ASSETS					
CASH AND BALANCES WITH CENTRAL BANK	4,511	1,035	2,077	52	7,675
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	32,049	982	2,992	309	36,332
AMOUNTS DUE FROM GROUP COMPANIES	10,993	14	1,028	22	12,057
LOANS AND ADVANCES	127,638	3	47	5	127,693
OTHER FINANCIAL ASSETS	7,753	-	3,364	-	11,117
TOTAL ASSETS	**182,944**	**2,034**	**9,508**	**388**	**194,874**
LIABILITIES					
CUSTOMER DEPOSITS	84,499	1,836	7,168	104	93,607
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	4,199	-	-	29	4,228
AMOUNTS DUE TO GROUP COMPANIES	32,530	-	-	-	32,530
OTHER FINANCIAL LIABILITIES	37,534	77	2,200	1	39,812
TOTAL LIABILITIES	**158,762**	**1,913**	**9,368**	**134**	**170,177**
NET ON-BALANCE SHEET POSITION	**24,182**	**121**	**140**	**254**	**24,697**
NET OFF-BALANCE SHEET POSITION	**(33,288)**	**(113)**	**(2,654)**	**(79)**	**(36,134)**
OVERALL OPEN POSITION	**(9,106)**	**8**	**(2,514)**	**175**	**(11,437)**
AT 31 DECEMBER 2013	822	87	(229)	105	785

At 31 December 2014, if the functional currency had strengthened/weakened by 1% against the foreign currencies with all other variables held constant, the pre-tax profit for the year would have been UShs 110 million (2013: UShs 7 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated financial assets and liabilities.

Interest rate risk

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. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly. The bank is managing interest rate risk by gap analysis.

Gap Analysis

Under this, interest sensitive assets and liabilities are classified into various time bands according to their maturity in the case of fixed interest rates, and residual maturity towards next pricing date in the case of floating exchange rates. The size of the gap in a given time band is analysed to study the interest rate exposure and the possible effects on the Bank's earnings.

In order to evaluate the earnings exposure, interest Rate Sensitive Assets (RSA) in each time band are netted off against the interest Rate Sensitive Liabilities (RSL) to produce a repricing gap for that time band. A positive gap indicates that the Bank has more RSA and RSL. A positive of asset sensitive gap means that an increase in market interest rates could cause an increase in the net interest margin and vice versa. Conversely, a negative or liability sensitive gap implies that the Bank's net interest margin could decline as a result of increase in market rates and vice versa.

At 31 December 2014, if the interest rates on interest bearing assets and liabilities had been 100 basis points higher/lower with all other variables held constant, the pre-tax loss for the year would have been UShs 103 million (2013: UShs 365 million) higher/lower.

The table below summarises the Bank's exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

(c) Market risk (continued)

AT 31 DECEMBER 2014

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	OVER 1 YEAR	NON-INTEREST BEARING	TOTAL
	USHS M	USHS M	USHS M	USHS M	USHS M	USHS M
ASSETS						
CASH AND BANK BALANCES WITH CENTRAL BANK	-	-	-	-	66,337	66,337
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	29,857	-	-	-	-	29,857
AMOUNTS DUE FROM GROUP COMPANIES	19,241	-	-	-	-	19,241
LOANS AND ADVANCES TO CUSTOMERS	45,697	46,034	17,147	133,081	-	241,959
GOVERNMENT SECURITIES	14,846	17,175	68,711	1,029	-	101,761
PROPERTY AND EQUIPMENT	-	-	-	-	13,987	13,987
OPERATING LEASE PREPAYMENT	-	-	-	-	3,145	3,145
INTANGIBLE ASSETS	-	-	-	-	3,378	3,378
OTHER ASSETS	-	-	-	-	17,955	17,955
TOTAL ASSETS	**109,641**	**63,209**	**85,858**	**134,110**	**104,802**	**497,620**
LIABILITIES						
CUSTOMER DEPOSITS	163,000	10,230	36,309	-	132,209	341,748
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	11,077	-	-	-	-	11,077
AMOUNTS DUE TO GROUP COMPANIES	29,845	-	2,775	-	-	32,620
OTHER BORROWED FUNDS	-	-	3,972	33,146	1,968	39,086
OTHER LIABILITIES	-	-	-	-	9,220	9,220
EQUITY	-	-	-	-	63,869	63,869
TOTAL LIABILITIES	**203,922**	**10,230**	**43,056**	**33,146**	**207,266**	**497,620**
INTEREST RE-PRICING GAP	**(94,281)**	**52,979**	**42,802**	**100,964**	**-**	**-**
AT 31 DECEMBER 2013 **INTEREST SENSITIVITY GAP**	**(56,729)**	**1,048**	**24,343**	**89,614**	**-**	**-**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types.

An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

(d) Fair values of financial assets and liabilities

The fair value of held-to-maturity investment securities and other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the Directors expect would be available to the Bank at the balance sheet date.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable on unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank 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 and exchanges traded derivatives like futures.
- 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). The sources of input parameters like LIBOR yield curve.
- 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. The Bank considers relevant and observable market prices in its valuations where possible.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
ASSETS AND LIABILITIES MEASURED AT FAIR VALUE				
AT 31 DECEMBER 2014	34	-	-	34
AT 31 DECEMBER 2013	8	-	-	8

(e) Financial instruments by category

	LOANS AND RECEIVABLES	TOTAL
	USHS MILLIONS	USHS MILLIONS
31 DECEMBER 2014		
ASSETS AS PER BALANCE SHEET		
CASH AND BALANCES WITH CENTRAL BANK	66,337	66,337
PLACEMENTS WITH OTHER BANKS	29,857	29,857
AMOUNTS DUE FROM GROUP COMPANIES	19,241	19,241
LOANS AND ADVANCES TO CUSTOMERS	241,959	241,959
INVESTMENT SECURITIES: – HELD-TO-MATURITY	101,761	101,761
TOTAL	**459,155**	**459,155**
31 DECEMBER 2013		
ASSETS AS PER BALANCE SHEET		
CASH AND BALANCES WITH CENTRAL BANK	68,459	68,459
PLACEMENTS WITH OTHER BANKS	16,925	16,925
AMOUNTS DUE FROM GROUP COMPANIES	5,946	5,946
LOANS AND ADVANCES TO CUSTOMERS	200,234	200,234
INVESTMENT SECURITIES: – AVAILABLE-FOR-SALE	101,107	101,107
TOTAL	**392,671**	**392,671**

	2014	2013
	USHS MILLIONS	USHS MILLIONS
LIABILITIES AS PER BALANCE SHEET – AT AMORTISED COST		
CUSTOMER DEPOSITS	341,748	295,164
DEPOSITS FROM OTHER BANKS	11,077	12,454
AMOUNTS DUE TO GROUP COMPANIES	32,620	7,615
OTHER LIABILITIES	9,220	7,375
OTHER BORROWED FUNDS	39,086	52,912
TOTAL	**433,751**	**375,528**

(f) Capital management

The Bank monitors the adequacy of its capital using ratios established by Bank of Uganda. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off balance sheet commitments and market risk positions at weighted amounts to reflect their relative risk.

The market risk approach covers the general market risk and the risk of open positions in currencies and debt, equity securities. Assets are weighted according the amount of capital deemed necessary to support them. Four categories of risk weights (0%, 20%, 50% and 100%) are applied, for example cash and money market instruments have zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carries 100% risk weighting, meaning that it must be supported by capital equal to 14.5% of the carrying amount. Certain asset categories have intermediate weightings.

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheet, 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;
- to maintain a strong capital base to support the development of its business.

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

The Central Bank requires each bank to:
a) hold the minimum level of regulatory capital of UShs 25 billion;
b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 12.5%; and
c) maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

The Bank's total regulatory capital is comprised of Tier 1 capital (core capital): share capital, share premium, plus retained earnings.

Tier 2 capital (Supplementary capital) is comprised of revaluation reserves, unidentified impairment allowance, statutory regulatory reserves (appropriations of retained earnings), subordinated debt and hybrid debt.

The table below summarises the composition of regulatory capital and the ratios of the Bank determined in accordance with Bank of Uganda regulatory returns form BS 100A:

	2014	2013
	USHS MILLIONS	USHS MILLIONS
CORE CAPITAL (TIER 1)		
SHAREHOLDER'S EQUITY	49,178	40,390
RETAINED EARNINGS	11,851	10,346
INTANGIBLE ASSETS	(3,378)	(2,879)
DEFERRED INCOME TAX ASSET	(10,305)	(7,212)
UNREALIZED FOREIGN EXCHANGE GAINS	(4,858)	-
TOTAL CORE CAPITAL	**42,488**	**40,645**
SUPPLEMENTARY CAPITAL (TIER 2)		
REGULATORY CREDIT RISK RESERVE	-	1,927
GENERAL PROVISIONS	2,516	-
SUBORDINATED DEBT	6,286	7,601
TIER 2 CAPITAL	**8,802**	**9,528**
TOTAL CAPITAL (TIER 1 AND TIER 2)	**51,290**	**50,173**

(f) Capital management (continued)

The risk weighted assets are measured by means of a hierarchy of four risk categories classified according to the nature of the asset and reflecting an estimate of the credit risk associated with each asset and counterparty, taking into account any eligible collateral or guarantees.

A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses. The table below summarises the composition of the risk weighted assets of the Bank at 31 December 2014:

	BALANCE SHEET AMOUNT		RISK WEIGHT	RISK WEIGHTED AMOUNT	
	2014	2013		2014	2013
	USHS MILLIONS	USHS MILLIONS	%	USHS MILLIONS	USHS MILLIONS
BALANCE SHEET ASSETS (NET OF PROVISIONS)					
CASH AND BALANCES WITH BANK OF UGANDA	66,337	68,459	0%	-	-
AMOUNTS DUE FROM OTHER BANKS:					
RATED AAA TO AA (-)	7,963	16,032	20%	1,593	3,206
RATED A (+) TO A (-)	21,885	101	50%	10,943	51
RATED A (-) AND NON RATED	9	792	100%	9	792
AMOUNTS DUE FROM GROUP COMPANIES	19,241	5,946	100%	19,241	5,946
LOANS AND ADVANCES TO CUSTOMERS	239,073	200,234	100%	239,073	200,234
INVESTMENT SECURITIES HELD-TO-MATURITY	101,761	101,107	0%	-	-
PROPERTY AND EQUIPMENT	13,987	15,278	100%	13,987	15,278
OPERATING LEASE PREPAYMENTS	3,145	3,192	100%	3,145	3,192
INTANGIBLE ASSETS (OFFSET AGAINST CORE CAPITAL)	3,378	2,879	0%	-	-
TAX RECOVERABLE	443	56	0%	-	-
DEFERRED TAX ASSETS (OFFSET AGAINST CORE CAPITAL)	10,305	7,212	0%	-	-
OTHER ASSETS	7,207	6,903	100%	7,207	6,903
ON BALANCE SHEET ASSETS	**494,734**	**428,191**	**-**	**295,198**	**235,602**
OFF-BALANCE SHEET POSITIONS					
CONTINGENTS SECURED BY CASH COLLATERAL	13,436	2,331	0%	-	-
PERFORMANCE BONDS	47,544	62,855	50%	23,772	31,428
LETTERS OF CREDIT AND ACCEPTANCES	10,777	6,949	20%	2,155	1,390
COMMITMENTS TO LEND	15,452	19,744	50%	7,726	9,872
OFF BALANCE SHEET ITEMS	**87,209**	**91,879**	**-**	**33,653**	**42,690**
TOTAL RISK-WEIGHTED ASSETS	**581,943**	**520,070**	**-**	**328,851**	**278,292**

(f) Capital management (continued)

CAPITAL RATIOS PER FINANCIAL INSTITUTIONS ACT (FIA) 2004

	2014	2013
	USHS MILLIONS	USHS MILLIONS
CORE CAPITAL	12.9%	14.6%
TOTAL CAPITAL	**15.6%**	**18.0%**

FIA 2004 MINIMUM RATIO CAPITAL REQUIREMENT

CORE CAPITAL	12.5%	8%
TOTAL CAPITAL	**14.5%**	**12.0%**

5. Interest income

	2014	2013
	USHS MILLIONS	USHS MILLIONS
LOANS AND ADVANCES	30,252	35,283
GOVERNMENT SECURITIES	12,856	11,214
SHORT TERM PLACEMENTS	1,068	1,004
TOTAL	**44,176**	**47,501**

6. Interest expense

	2014	2013
	USHS MILLIONS	USHS MILLIONS
CUSTOMER DEPOSITS	9,688	12,950
DEPOSITS BY OTHER BANKING INSTITUTIONS	1,666	1,339
BORROWED FUNDS	1,779	2,416
OTHER	1,780	1,066
TOTAL	**14,913**	**17,771**

7. Fee and commission income

	2014	2013
	USHS MILLIONS	USHS MILLIONS
TRANSACTIONAL FEES AND COMMISSION INCOME	13,769	9,841
CREDIT RELATED FEES AND COMMISSION INCOME	3,905	4,448
TOTAL	**17,674**	**14,289**

8. Fee and commission expense

	2014	2013
	USHS MILLIONS	USHS MILLIONS
TRANSACTIONAL FEES AND COMMISSION EXPENSE	3,039	1,929
CREDIT RELATED FEES AND COMMISSION EXPENSE	295	290
TOTAL	**3,334**	**2,219**

9. Foreign exchange income

	2014	2013
	USHS MILLIONS	USHS MILLIONS
REALISED FOREIGN EXCHANGE (LOSSES)/GAINS	(1,520)	5,645
UNREALISED FOREIGN EXCHANGE GAINS/(LOSSES)	4,858	(3,155)
TOTAL	**3,338**	**2,490**

10. Operating expenses

	2014	2013
	USHS MILLIONS	USHS MILLIONS
DEPRECIATION OF PROPERTY AND EQUIPMENT (NOTE 18)	3,440	3,172
AMORTISATION OF INTANGIBLE ASSETS (NOTE 20)	864	463
EMPLOYEE BENEFITS EXPENSE (NOTE 11)	18,810	19,212
AUDITOR'S REMUNERATION	148	129
LEGAL FEES	493	79
OTHER PROFESSIONAL FEES	4,071	2,680
RENT AND RATES	3,573	3,161
ADVERTISING AND PROMOTION	1,476	831
COMMUNICATION AND TECHNOLOGY	1,942	1,786
OTHER	10,660	8,968
TOTAL	**45,477**	**40,481**

11. Employee benefits expense

	2014	2013
	USHS MILLIONS	USHS MILLIONS
SALARIES AND WAGES	15,404	15,165
NSSF CONTRIBUTIONS	1,186	1,193
DEFINED CONTRIBUTION PENSION SCHEME CONTRIBUTIONS	477	407
OTHER STAFF COSTS	1,743	2,447
TOTAL	**18,810**	**19,212**

12. Income tax credit

		2014	2013
		USHS MILLIONS	USHS MILLIONS
	CURRENT INCOME TAX CHARGE	2,203	2,243
	DEFERRED INCOME TAX CREDIT (NOTE 25)	(3,093)	(3,663)
TOTAL		**(890)**	**(1,420)**
	PROFIT/(LOSS) BEFORE INCOME TAX	316	(8,200)
	TAX CALCULATED AT THE STATUTORY INCOME TAX RATE OF 30% (2013: 30%)	95	(2,460)
	TAX EFFECT OF:		
	INCOME NOT SUBJECT TO TAX	(5,659)	(3,988)
	TAX EFFECT OF NON-DEDUCTIBLE ITEMS	2,804	1,677
	FINAL TAX ON GOVERNMENT SECURITIES	2,202	2,243
	PRIOR YEAR DEFERRED INCOME TAX (UNDER)/OVER PROVISION	(332)	1,108
INCOME TAX CREDIT		**(890)**	**(1,420)**

Tax recoverable was as follows:

	AT START OF YEAR	56	364
	ADJUSTMENTS FOR PRIOR PERIOD ITEMS	-	(278)
	CURRENT INCOME TAX CHARGE	(2,203)	(2,243)
	INCOME TAX PAID	2,590	2,213
AT END OF YEAR		**443**	**56**

13. Cash and balances with Bank of Uganda

		2014	2013
		USHS MILLIONS	USHS MILLIONS
	CASH ON HAND	30,022	34,260
	BALANCES WITH BANK OF UGANDA	36,315	34,199
TOTAL		**66,337**	**68,459**

14. Placements and deposits with other banks

		2014	2013
		USHS MILLIONS	USHS MILLIONS
	BALANCES DUE FROM OTHER BANKING INSTITUTIONS - OUTSIDE UGANDA	21,895	11,865
	DEPOSITS WITH OTHER BANKING INSTITUTIONS - INSIDE UGANDA	7,962	5,060
TOTAL		**29,857**	**16,925**

Placements had a weighted average rate of return of 4.6% (2013: 6.7%).

15. Government securities and derivatives

(a) Held-to-maturity investments – at amortised cost

	2014	2013
	USHS MILLIONS	USHS MILLIONS
TREASURY BILLS		
FACE VALUE		
MATURING WITHIN 90 DAYS	24,914	14,401
MATURING AFTER 90 DAYS	70,200	78,803
TOTAL	**95,114**	**93,204**
UNEARNED INTEREST	(4,367)	(5,463)
TOTAL	**90,747**	**87,741**
TREASURY BONDS		
MATURING WITHIN 90 DAYS	-	3,923
MATURING AFTER 90 DAYS	10,710	10,751
TOTAL	**10,710**	**14,674**
UN-INCURRED/(UNEARNED) INTERESTT	304	(1,308)
TOTAL	**11,014**	**13,366**
TOTAL HELD-TO-MATURITY	**101,761**	**101,107**

Held-to-maturity investments had a weighted average rate of return of 12.0% (2013: 13.5%).

(b) Derivatives at fair value through profit or loss

The derivative instruments held become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The derivatives held by the Bank are classified as financial assets at fair value through the profit or loss. The fair values of derivative financial instruments held are set out below:

	2014	2013
	USHS MILLIONS	USHS MILLIONS
CURRENCY SWAPS – ASSET (NET)	34	-
CURRENCY SWAPS – LIABILITIES (NET)	-	8

16. Loans and advances to customers

(a) Analysis of loan advances to customers by category:

	2014	2013
	USHS MILLIONS	USHS MILLIONS
TERM LOANS	215,466	177,952
OVERDRAFTS	31,560	34,783
GROSS LOANS AND ADVANCES	**247,026**	**212,735**
LESS: PROVISION FOR IMPAIRMENT OF LOANS AND ADVANCES		
- INDIVIDUALLY ASSESSED	(2,468)	(11,681)
- COLLECTIVELY ASSESSED	(2,599)	(820)
TOTAL	**241,959**	**200,234**

Movements in provisions for impairment of loans and advances are as follows:

	INDIVIDUALLY ASSESSED	COLLECTIVELY ASSESSED	TOTAL
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
YEAR ENDED 31 DECEMBER 2013			
AT 1 JANUARY	7,319	1,383	8,702
PROVISION FOR LOAN IMPAIRMENT	19,835	-	19,835
AMOUNTS RECOVERED DURING THE YEAR	(6,735)	-	(6,735)
TRANSFERS	563	(563)	-
LOANS WRITTEN OFF DURING THE YEAR AS UNCOLLECTIBLE	(9,301)	-	(9,301)
AT 31 DECEMBER 2013	**11,681**	**820**	**12,501**
YEAR ENDED 31 DECEMBER 2014			
AT 1 JANUARY	11,681	820	12,501
PROVISION FOR LOAN IMPAIRMENT	7,969	1,779	9,748
AMOUNTS RECOVERED DURING THE YEAR	(5,960)	-	(5,960)
TRANSFERS	-	-	-
LOANS WRITTEN OFF DURING THE YEAR AS UNCOLLECTIBLE	(11,222)	-	(11,222)
AT 31 DECEMBER 2014	**2,468**	**2,599**	**5,067**

16. Loans and advances to customers (continued)

(b) Impairment losses charged to profit or loss

	2014	2013
	USHS MILLIONS	USHS MILLIONS
PROVISION FOR LOAN IMPAIRMENT (NOTE 16 (a))	9,748	19,835
AMOUNTS RECOVERED DURING THE YEAR (NOTE 16 (a))	(5,960)	(6,735)
TOTAL	**3,788**	**13,100**

(c) Regulatory reserve

Analysis as per Bank of Uganda guidelines

	2014	2013
	USHS MILLIONS	USHS MILLIONS
TOTAL PROVISION AS PER IFRS		
INDIVIDUALLY ASSESSED	2,468	11,681
COLLECTIVELY ASSESSED	2,599	820
TOTAL	**5,067**	**12,501**
TOTAL PROVISIONS AS PER BOU GUIDELINES		
SPECIFIC PROVISIONS	4,179	12,416
GENERAL PROVISIONS	2,516	2,012
TOTAL	**6,695**	**14,428**
REGULATORY RESERVE		
AT 1 JANUARY	(1,927)	(2,958)
TRANSFER TO THE REGULATORY RESERVE	299	1,031
AT 31 DECEMBER	**(1,628)**	**(1,927)**

17. Other assets

	2014	2013
	USHS MILLIONS	USHS MILLIONS
RECEIVABLES AND PREPAYMENTS	4,669	4,041
ITEMS IN TRANSIT	1,468	2,172
STATIONERY STOCKS	356	285
OTHER	680	405
TOTAL	**7,173**	**6,903**

18. Property and equipment

	BUILDINGS	MOTOR VEHICLES	FIXTURES, FITTINGS AND EQUIPMENT	WORK IN PROGRESS	TOTAL
	USHS M	USHS M	USHS M	USHS M	USHS M
YEAR ENDED 31 DECEMBER 2013					
OPENING NET BOOK AMOUNT	3,005	277	11,805	1,005	16,092
ADDITIONS	-	44	1,916	413	2,373
DISPOSALS	-	(33)	-	-	(33)
TRANSFERS FROM WIP	-	-	585	(585)	-
WRITE-OFFS	-	-	(3)	(13)	(16)
DEPRECIATION CHARGE	(73)	(122)	(2,977)	-	(3,172)
DEPRECIATION ON DISPOSALS	-	32	-	-	32
DEPRECIATION ON WRITE OFFS	-	-	2	-	2
CLOSING NET BOOK AMOUNT	**2,932**	**198**	**11,328**	**820**	**15,278**
COST	3,470	738	22,226	820	27,254
ACCUMULATED DEPRECIATION	(538)	(540)	(10,898)	-	(11,976)
NET BOOK AMOUNT	**2,932**	**198**	**11,328**	**820**	**15,278**
YEAR ENDED 31 DECEMBER 2014					
OPENING NET BOOK AMOUNT	2,932	198	11,328	820	15,278
ADDITIONS	-	437	1,866	290	2,593
DISPOSALS	-	(69)	(35)	-	(104)
TRANSFERS FROM WIP	-	351	34	(788)	(403)
WRITE-OFFS	-	-	(54)	-	(54)
DEPRECIATION CHARGE	(73)	(197)	(3,170)	-	(3,440)
DEPRECIATION ON DISPOSALS	-	69	17	-	86
DEPRECIATION ON WRITE OFFS	-	-	31	-	31
CLOSING NET BOOK AMOUNT	**2,859**	**789**	**10,017**	**322**	**13,987**
COST	3,470	1,457	24,037	322	29,286
ACCUMULATED DEPRECIATION	(611)	(668)	(14,020)	-	(15,299)
NET BOOK AMOUNT	**2,859**	**789**	**10,017**	**322**	**13,987**

19. Operating lease prepayments

	2014	2013
	USHS MILLIONS	USHS MILLIONS
COST		
AT 1 JANUARY	3,440	3,440
ADDITIONS	-	-
AT 31 DECEMBER	**3,440**	**3,440**
AMORTISATION		
AT 1 JANUARY	248	201
CHARGE FOR THE YEAR	47	47
AT 31 DECEMBER	**295**	**248**
NET BOOK VALUE		
AT 31 DECEMBER	**3,145**	**3,192**

20. Intangible assets

	2014	2013
	USHS MILLIONS	USHS MILLIONS
NET BOOK AMOUNT AT 1 JANUARY	2,879	1,964
ADDITIONS: COMPUTER SOFTWARE	960	1,414
TRANSFERS FROM WORK IN PROGRESS (NOTE 18)	403	-
WRITE-OFFS	-	(214)
AMORTISATIONS	(864)	(463)
AMORTISATION ON WRITE-OFFS	-	178
NET BOOK AMOUNT AT 31 DECEMBER	**3,378**	**2,879**
COST	6,860	5,497
ACCUMULATED DEPRECIATION	(3,482)	(2,618)
NET BOOK AMOUNT	**3,378**	**2,879**

The intangible assets relate to computer software acquired to support the Bank's operations. This software is not an integral part of the related computer hardware and has therefore been presented as an intangible asset in accordance with IAS 38, Intangible assets.

21. Customer deposits

(a) Current and demand deposits

	2014	2013
	USHS MILLIONS	USHS MILLIONS
CURRENT AND DEMAND DEPOSITS	152,931	122,846
SAVINGS ACCOUNTS	119,015	87,273
FIXED DEPOSIT ACCOUNTS	62,418	80,439
MARGIN DEPOSITS	7,384	4,606
TOTAL	**341,748**	**295,164**

(b) Sectoral analysis - customer deposits

	2014	2013
	USHS MILLIONS	USHS MILLIONS
BANKS AND FINANCIAL INSTITUTIONS	20,655	19,398
PRIVATE ENTERPRISES AND INDIVIDUALS	101,957	75,386
GOVERNMENT AND PARASTATALS	24,606	19,841
AGRICULTURE	8,041	10,639
BUILDING AND CONSTRUCTION	34,264	17,739
MANUFACTURING	6,220	7,917
TRADE AND COMMERCE	48,088	47,263
TRANSPORT AND UTILITIES	22,258	20,770
OTHER SERVICES	75,659	76,211
TOTAL	**341,748**	**295,164**

22. Deposits and balances due to other banking Institutions

	2014	2013
	USHS MILLIONS	USHS MILLIONS
ITEMS IN COURSE OF COLLECTION	10,417	202
TERM DEPOSITS	660	12,252
TOTAL	**11,077**	**12,454**

The deposits with other banking institutions are interest bearing.

23. Other borrowings

	2014	2013
	USHS MILLIONS	USHS MILLIONS
EIB - PRIVATE ENTERPRISE FINANCE FACILITY	8,819	11,395
FMO - TERM FACILITY	18,042	23,602
PROPARCO – SUBORDINATED LOAN	6,286	7,601
BOU AGRICULTURAL CREDIT FACILITY	1,967	3,097
IFC TERM FACILITY	3,972	7,217
TOTAL	**39,086**	**52,912**

The EIB - Private Enterprise Finance Facility relates to a line of credit granted to the Bank for financing projects to be carried out in Uganda by private enterprises or microfinance institutions in selected sectors. Each tranche of these funds attracts a fixed rate based on the twelve month average of interest rates offered by Ugandan deposit-taking banks for three months term deposits as published by Bank of Uganda plus a margin. Each tranche has a minimum tenor of three years and a maximum tenor of ten years.

The International Finance Corporation (IFC) term facility provides funding to be used by the Bank to finance its lending operations to small, medium enterprises, retail and corporate business in accordance with the provisions of the agreement. The interest rate for any relevant period is the sum of the relevant spread and LIBOR on the interest determination date for that interest period for six (6) months. The funds are advanced for a period of five years.

The FMO Term Facility is a line of credit granted to the Bank to on-lend to eligible sub-borrowers with matching funds provided by the Bank. The Euro denominated funds attract a floating rate of interest equivalent to the weighted average deposit rate of banks in Uganda as published by the Central Bank plus a margin. The US Dollar denominated funds attract an interest rate per annum which is the aggregate of the applicable margin and LIBOR. These funds have a tenor of five years.

The PROPARCO subordinated loan is a USD 3 million debt granted to the Bank for a term of seven years including a grace period for principal payments of five years. The loan attracts a floating rate of interest and is registered as Tier 2 Capital under the conditions prescribed by Bank of Uganda for purposes of computation of capital adequacy.

The Bank of Uganda (BOU) Agricultural Credit Facility relates to a partnership between the Government of Uganda and commercial banks to facilitate farmers in acquisition of agricultural and agro-processing machinery and equipment. This facility attracts a fixed interest rate of 10% and has a maximum tenor of eight years.

24. Other liabilities

	2014	2013
	USHS MILLIONS	USHS MILLIONS
BILLS PAYABLE	645	653
CREDITORS	4,264	3,204
DEFERRED FEES AND COMMISSION INCOME	1,457	1,062
ACCRUALS	4,066	2,456
TOTAL	**10,432**	**7,375**

25. Deferred income tax asset

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of 30%. The net deferred tax asset comprises:

	2014	2013
	USHS MILLIONS	USHS MILLIONS
ACCELERATED CAPITAL ALLOWANCES	(1,974)	(2,380)
TAX LOSSES BROUGHT FORWARD	13,209	8,723
PROVISIONS FOR LOAN IMPAIRMENT	266	25
OTHER PROVISIONS	45	(86)
UNREALISED TRANSLATION DIFFERENCES	(1,224)	947
PRIOR YEAR ADJUSTMENTS	(17)	(17)
NET DEFERRED TAX ASSET	**10,305**	**7,212**

The movement on the deferred tax asset account is as follows:

AT START OF THE YEAR	7,212	3,566
PRIOR PERIOD ADJUSTMENTS	-	(17)
INCOME STATEMENT CREDIT – CURRENT YEAR (NOTE 12)	3,093	3,663
AT END OF THE YEAR	10,305	7,212

26. Share capital

	NUMBER OF SHARES ISSUED & FULLY PAID	ORDINARY SHARES	SHARE PREMIUM
	(THOUSANDS)	USHS MILLIONS	USHS MILLIONS
2012			
AT 1 JANUARY 2012	20,919	20,919	6,086
RIGHTS ISSUE OF SHARES	3,385	3,385	-
BONUS ISSUE OF SHARES	696	696	(696)
AT 31 DECEMBER 2012	**25,000**	**25,000**	**5,390**
2013			
AT 1 JANUARY 2013	25,000	25,000	5,390
RIGHTS ISSUE OF SHARES	4,499	4,499	5,501
AT 31 DECEMBER 2013	**29,499**	**29,499**	**10,891**
2014			
AT 1 JANUARY 2014	29,499	29,499	10,891
RIGHTS ISSUE OF SHARES	4,922	4,922	3,866
AT 31 DECEMBER 2014	**34,421**	**34,421**	**14,757**

The total authorised number of ordinary shares is UShs 50 million (2013: UShs 29.5 million) with a par value of UShs 1,000 per share.

In March 2014 the board approved a rights issue of 5,601,358 shares at a price of UShs 1,785 per share which were payable by 30 June 2014 and 4,922,323 were fully paid up. This brought the total issued ordinary shares to 34.4 million with a par value of UShs 1,000 per share.

27. Bank shareholding

The Bank shareholders are as follows:

	HOLDING	COUNTRY OF INCORPORATION
SHAREHOLDING:		
BANK OF AFRICA – KENYA LTD.	52.72%	KENYA
AFRICAN FINANCIAL HOLDING (AFH) - OCEAN INDIEN	23.70%	MAURITIUS
NETHERLANDS DEVELOPMENT FINANCE COMPANY (FMO)	15.01%	THE NETHERLANDS
CENTRAL HOLDINGS LTD.	8.57%	UGANDA
TOTAL	**100.00%**	

28. Analysis of cash and cash equivalents

	2014	2013
	USHS MILLIONS	USHS MILLIONS
CASH AND BALANCES WITH BANK OF UGANDA (NOTE 13)	66,337	68,459
LESS: CASH RESERVE REQUIREMENT (SEE BELOW)	(27,340)	(23,613)
GOVERNMENT SECURITIES - MATURING WITHIN 90 DAYS (NOTE 15)	24,914	14,401
PLACEMENTS WITH OTHER BANKS (NOTE 14)	29,857	16,925
AMOUNTS DUE FROM GROUP COMPANIES (NOTE 30 (a))	19,241	5,946
TOTAL	**113,009**	**82,118**

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with Central Banks, treasury bills and other eligible bills, and amounts due from other banks.

Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Uganda. Banks are required to maintain a prescribed minimum cash balance with the Bank of Uganda that is not available to finance the Bank's day-to-day activities. The amount is determined as 8% of the average outstanding customer deposits over a cash reserve cycle period of two weeks.

29. Earnings per share

	2014	2013
	USHS MILLIONS	USHS MILLIONS
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK (SHS M)	1,206	(6,780)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES IN ISSUE (THOUSANDS)	32,070	27,267
EARNINGS/(LOSS) PER SHARE (EXPRESSED IN SHS PER SHARE)	38	(249)

In March 2014 there was a rights issue of UShs 10,000 at a price of UShs 1,785 with UShs 8,788 million paid up which explains the increase in the weighted average number of shares in 2014.

There were no dilutive or potentially dilutive shares outstanding at 31 December 2014 (2013: Nil).

30. Related party balances

The ultimate parent and ultimate controlling party of the Company is BANK OF AFRICA – KENYA Ltd incorporated in Kenya. There are other companies that are related to the company through common shareholdings or common directorships.

The following balances were held with related parties as the period end.

(a) Due from Group companies

	2014	2013
	USHS MILLIONS	USHS MILLIONS
BANK OF AFRICA – RDC	5,551	5,082
BOA-FRANCE	1,015	755
BANK OF AFRICA – KENYA	12,637	72
BANK OF AFRICA – TANZANIA	10	8
BMCE BANK INTERNATIONAL	28	29
TOTAL	**19,241**	**5,946**

(b) Amounts due to Group companies

	2014	2013
	USHS MILLIONS	USHS MILLIONS
BANK OF AFRICA – MER ROUGE	26,480	7,599
BANK OF AFRICA – KENYA	6,050	-
BANK OF AFRICA – TANZANIA	2	2
BANK OF AFRICA – RDC	68	9
BMCE BANK INTERNATIONAL	20	5
TOTAL	**32,620**	**7,615**

(c) Related party balances

	2014	2013
	USHS MILLIONS	USHS MILLIONS
DEPOSITS FROM DIRECTORS AND SHAREHOLDERS	**68**	**62**
LOANS TO DIRECTORS	1,183	443
ADVANCES TO STAFF	3,899	3,498
TOTAL	**5,082**	**3,941**

d) Related party transactions

	2014	2013
	USHS MILLIONS	USHS MILLIONS
INTEREST		
INTEREST PAID TO RELATED PARTIES/DIRECTORS	167	14
INTEREST EARNED FROM RELATED PARTIES	51	336
DIRECTORS' REMUNERATION		
DIRECTORS' FEES	576	551
OTHER EMOLUMENTS	3,459	2,486
TOTAL	**4,035**	**3,037**
KEY MANAGEMENT COMPENSATION		
SALARIES AND SHORT-TERM BENEFITS	2,956	2,989
TERMINAL BENEFITS	79	85
TOTAL	**3,035**	**3,074**
EXPENSES		
AFH-SERVICES	2,749	2,680

31. Off-balance sheet financial instruments, contingent liabilities and commitments

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

Letters of credit are commitments by the Bank to make payments to third parties, on production of documents, on behalf of customers and are reimbursed by customers. Letters of guarantee and performance bonds are issued by the Bank, on behalf of customers, to guarantee performance by customers to third parties. The Bank will only be required to meet these obligations in the event of default by the customers.

The following are the commitments outstanding at year end.

	2014	2013
	USHS MILLIONS	USHS MILLIONS
ACCEPTANCES AND LETTERS OF CREDIT	13,127	6,949
GUARANTEE AND PERFORMANCE BONDS	58,630	65,186
TOTAL	**71,757**	**72,135**

Non-trade contingent liabilities

There were outstanding legal proceedings against the Bank as at 31 December 2014 which arise from normal day to day banking operations. In the opinion of the Directors, after taking professional legal advice, the estimated potential liability to the Bank from these proceedings is UShs 498 million (2013: UShs 299 billion).

Other commitments

Commitments to lend are agreements to lend to customers in future subject to certain conditions. Such commitments are normally made for fixed periods. The Bank may withdraw from its contractual obligations to extend credit by giving reasonable notice to the customers. At 31 December, these included;

	2014	2013
	USHS MILLIONS	USHS MILLIONS
APPROVED ADVANCES NOT UTILIZED	15,452	19,744

BANK OF AFRICA IN UGANDA*

www.boauganda.com & www.bank-of-africa.net

BANK OF AFRICA
Groupe BMCE BANK

Head Office

BANK OF AFRICA House – Plot 45, Jinja Road – P.O. Box 2750 – Kampala – UGANDA
☎: (256) 414 302001 – 🖷: (256) 414 230902 – Swift: AFRIUGKA – @: <boa@boauganda.com>

Business Centre

Plot 9, Kitante Road – P.O. Box 2750 – Kampala – UGANDA
☎: (256) 414 343 573 – 🖷: (256) 414 230902

Kampala Branches

MAIN BRANCH
Plot 45, Jinja Road – P.O. Box 2750 – Kampala
☎: (256) 414 302001 🖷: (256) 414 230669

BBIRA MINI-BRANCH
Plot 439, Mityana Road, Bbira – P.O. Box 2750
Kampala
☎: (256) 717 800546 🖷: (256) 414 271424

EQUATORIA BRANCH
Plot 84/86, Ben Kiwanuka Street – P.O. Box 2750
Kampala
☎: (256) 414 302161 🖷: (256) 414 344064

KABALAGALA BRANCH
Plot 559, Ggaba Road – P.O. Box 2750 – Kampala
☎: (256) 414 302001 🖷: (256) 414 501211

KAMPALA ROAD BRANCH
Plot 48, Kampala Road – P.O. Box 2750 – Kampala
☎: (256) 414 302001 🖷: (256) 414 259915

KAWEMPE BRANCH
Plot 165, Bombo Road – P.O. Box 2750 – Kampala
☎: (256) 414 302199 🖷: (256) 414 567240

KOLOLO BRANCH
Plot 9, Cooper Road (Kisementi) – P.O. Box 2750
Kampala
☎: (256) 717 800502 🖷: (256) 414 255417

LUZIRA BRANCH
Plot 1329/1330, Portbell Road, Luzira
P.O. Box 2750 – Kampala
☎: (256) 717 800163 🖷: (256) 414 220380

MUKONO BRANCH
Plot 13, Kampala Road – P.O. Box 2750 – Kampala
☎: (256) 717 800439 🖷: (256) 414 291075

NAKIVUBO BRANCH
Plot 15, Nakivubo Road, Kikuubo – P.O. Box 2750
Kampala
☎: (256) 717 800537 🖷: (256) 414 252049

NALUKOLONGO MINI-BRANCH
Kobil Head Office – Plot 4, Wankulukulu Road
Nalukolongo – P.O. Box 2750 – Kampala
☎: (256) 717 601852 🖷: (256) 414 274923

NAMASUBA BRANCH
Plot 4010, Entebbe Road – Freedom City Mall Namasuba
P.O. Box 2750 – Kampala
☎: (256) 717 800558 🖷: (256) 414 501449

NANSANA BRANCH
Plot 5390, Hoima Road – Nansana Town Council
P.O. Box 2750 – Kampala
☎: (256) 717 800552 🖷: (256) 414 230902

NATEETE BRANCH
Plot 1/2, Old Masaka Road – Nateete
P.O. Box 2750 – Kampala
☎: (256) 717 800688 🖷: (256) 414 271424

NDEEBA BRANCH
Plot 1024, Masaka Road, Ndeeba – P.O. Box 2750
Kampala
☎: (256) 717 995988 🖷: (256) 414 270810

NTINDA BRANCH
Plot 7, Ntinda Road – Ntinda – P.O. Box 2750 – Kampala
☎: (256) 716 800599 🖷: (256) 414 288782

OASIS BRANCH
Plot 88/94, Yusuf Lule Road – Oasis Mall Nakumatt
P.O. Box 2750 – Kampala
☎: (256) 717 800507 / 054799
🖷: (256) 417 130113

PARK BRANCH
Plot 40/46, Ben Kiwanuka Street – Mukwano Centre
P.O. Box 2750 – Kampala
☎: (256) 414 507145 🖷: (256) 414 264351

RWENZORI COLLECTION CENTRE
Plot 1, Lumumba Avenue, Rwenzori House
P.O. Box 3966 – Kampala
☎: (256) 414 372574

WANDEGEYA BRANCH
Plot 18, Bombo Road – KM Plaza, Opposite Shell
Wandegeya – P.O. Box 2750 – Kampala
☎: (256) 717 800503 🖷: (256) 414 530486

Regional Branches

ARUA BRANCH
Plot 19, Avenue Road – P.O. Box 894 – Arua Town
☎: (256) 717 800202 🖷: (256) 476 420476

ENTEBBE BRANCH
Plot 16, Kampala Road – Entebbe Town
P.O. Box 2750 – Kampala
☎: (256) 713 514440 🖷: (256) 414 322607

FORT PORTAL BRANCH
Plot 14, Bwamba Road – P.O. Box 359
Fort Portal Town
☎: (256) 483 422025 🖷: (256) 483 422025

GULU BRANCH
Plot 11, Awere Road – P.O. Box 921 – Gulu Town
☎: (256) 712 931991 🖷: (256) 471 432627

HOIMA BRANCH
Plot 13, Wright Road – Hoima Town Council
P.O. Box 345 – Hoima
☎: (256) 773 187121 🖷: (256) 465 440099

JINJA MAIN BRANCH
Plot 1, Main Street – Jinja Municipal Council
P.O. Box 2095 – Jinja
☎: (256) 717 800223 🖷: (256) 434 123113

JINJA CLIVE ROAD BRANCH
Plot 18, Clive Road East – Jinja Municipal Council
P.O. Box 2095 – Jinja
☎: (256) 717 800223 🖷: (256) 434 120092

KALONGO MINI-BRANCH
Plot 16, Patongo Road – P.O. Box 929 – Lira
☎: (256) 717 800528 🖷: (256) 473 420049

LIRA BRANCH
Plot 1A, Balla Road – Town View Hotel
P.O. Box 929 – Lira Town
☎: (256) 717 800546 / 774 645152
🖷: (256) 473 420049

MASAKA BRANCH
Plot 7, Birch Avenue – Masaka
☎: (256) 711 000761

MBALE BRANCH
Plot 26, Cathedral Avenue – Mbale Municipal Council
P.O. Box 553 – Mbale
☎: (256) 717 800513 🖷: (256) 454 432256

MBARARA BRANCH
Plot 1, Mbaguta Road
P.O. Box 1163 – Mbarara
☎: (256) 717 800519 🖷: (256) 485 420173

PATONGO BRANCH
Plot 33, Owiny Dollo – Patongo Town Council
P.O. Box 929 – Lira
☎: (256) 784 486787 🖷: (256) 473 420049

RUBIRIZI BRANCH
Bamugaya House – Rubirizi Town Council
Kasese Road – P.O. Box 1163 – Mbarara
☎: (256) 717 800577

(*) Contact details at 31/03/2015.