UGANDA

ANNUAL REPORT

2013

BANK OF AFRICA
Groupe BMCE BANK

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MESSAGE FROM THE CEO OF BOA GROUP

The BANK OF AFRICA Group's 2013 financial year was highlighted mainly by the following five objectives:

- continue its external growth,
- improve its operating structure,
- launch a vast plan to strengthen its risk control,
- expand its sales & marketing set up,
- continue to enhance its financial results.

The BANK OF AFRICA Group's development was reflected in 2013 by the opening of a subsidiary in Togo.

Meanwhile, the Group's institutionalisation continued with an expansion in its Central Departments at head office.

With the same determination of more precision-based management, a major project for redefining risk management was launched in synergy with the BMCE Bank Group, our majority shareholder. In the same light, a system of environmental and social management was set up in this same area.

The restructuring of our sales & marketing organisation and the implementation of our business model were maintained and extended to our corporate clients and English-speaking subsidiaries.

As for financial results, the progress made in 2012 continued in 2013, as seen in the following data.

Customer deposits reached 3.4 billion euros, a 7.2% increase driven mainly by an increase in the number of accounts, which exceeded the 2 million mark in May 2014.

Outstanding customer loans came to 2.5 billion euros, a 13.4% increase.

Total assets rose by 9.7% to 4.8 billion euros at end-2013.

Net Banking Income (NBI) improved by 10.2% to 320.6 million euros.

Consolidated net profit rose slightly, by 1% from 56.2 million euros in 2012 to 56.7 million euros, due to a large provision made on a file in a WAEMU BOA. Without this provision, net income rose by about 16%, thus reflecting the Group's dynamism.

In 2014, we will maintain and strengthen our policy, which reconciles commercial development and structural reinforcement within the framework of our 2013-2015 Three-Year Development Plan. The final objective is to reinforce our participation in financing national economies and to increase the involvement of African citizens in the economic and social life of their countries.

I thank all our customers for their trust in us, the BANK OF AFRICA staff for their unfailing commitment, and our shareholders for their steadfast support, particularly our majority shareholder, BMCE Bank.

Mohamed BENNANI
BOA GROUP S.A. Chairman and CEO

Photo © E.Legouhy

OVER 30 YEARS OF GROWTH AND EXPANSION

BANKING NETWORK*

1983 BANK OF AFRICA – MALI

15 Branches and 1 Business Centre in Bamako.
10 Regional Branches and 20 Local Branches.

1990 BANK OF AFRICA – BÉNIN

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

1994 BANK OF AFRICA – NIGER

Created in 1989: NIGERIAN INTERNATIONAL BANK (NIB). Integrated into BOA network in 1994.

11 Branches in Niamey.
8 Regional Branches.

1996 BANK OF AFRICA – CÔTE D'IVOIRE

Created in 1980: BANAFRIQUE.
Integrated into BOA network in 1996.

14 Branches and 1 Business Centre in Abidjan.
8 Regional Branches and 1 Local Branch.

1998 BANK OF AFRICA – BURKINA FASO

17 Branches and 1 Business Centre in Ouagadougou.
14 Regional Branches.

1999 BANK OF AFRICA – MADAGASCAR

Created in 1989: BANKIN'NY TANTSAHA MPAMOKATRA (BTM) / National Bank for Rural Development.
Integrated into BOA network in 1999.

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

2001 BANK OF AFRICA – SÉNÉGAL

18 Branches and 1 Business Centre and 1 WU Counter in Dakar.
10 Regional Branches and 1 regional WU Counter.

2004 BANQUE DE L'HABITAT DU BÉNIN

2 Branches in Cotonou.

2004 BANK OF AFRICA – KENYA

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

15 Branches and 1 Business Centre in Nairobi.
15 Regional Branches, 1 Business Centre in Mombasa.

2006 BANK OF AFRICA – UGANDA

Created in 1985: SEMBULE INVESTMENT BANK Ltd > ALLIED BANK. Integrated into BOA network in 2006.

20 Branches in Kampala.
13 Regional Branches.

2007 BANK OF AFRICA – TANZANIA

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

10 Branches in Dar es Salaam.
9 Regional Branches.

2008 BANQUE DE CRÉDIT 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 (BCB). Integrated into BOA network in 2008.

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

2010 BANK OF AFRICA – RDC

7 Branches in Kinshasa.
1 Regional Branch.

2010 BANK OF AFRICA – MER ROUGE

Created in 1908: BANQUE INDOSUEZ MER ROUGE (BIRM). Integrated into BOA network in 2011.

4 Branches and 1 Counter in Djibouti.
1 Representive Office in Addis Abeba in Ethiopia.

2011 BANK OF AFRICA – GHANA

Created in 1999: AMALBANK.
Integrated into BOA network in 2011.

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

2013 BANK OF AFRICA – TOGO

3 Branches in Lomé.

SUBSIDIARIES*

1997 ACTIBOURSE

Head Office in Cotonou.
1 Liaison Office in Abidjan.
1 contact in each BOA company.

2002 AÏSSA

Head Office in Cotonou.

2002 AGORA

Head Office in Abidjan.

2004 ATTICA

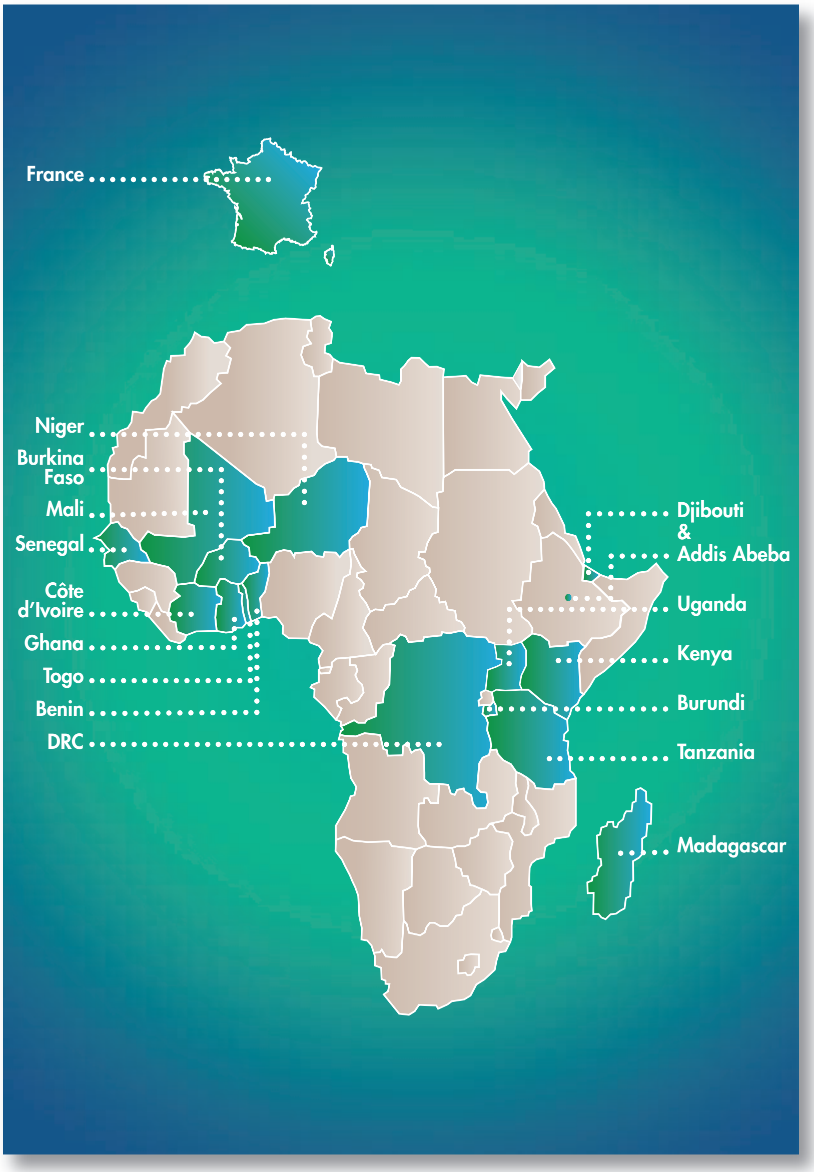
Head Office in Abidjan.

2009 BOA-ASSET MANAGEMENT

Head Office in Abidjan.

2010 BOA-FRANCE

4 Branches in Paris.
1 Branch in Marseille.



OTHER ENTITIES*

1999 BANK OF AFRICA FOUNDATION

Head Office in Bamako.
Presence in 11 countries
where the Group operates.

2000 BOA GROUP EIG

Head Offfice in Paris.

(*) BANK OF AFRICA Network at 31/3/2014.

OVER 30 YEARS OF EXPERIENCE SERVING CUSTOMERS

A STRONG NETWORK*

5,000 people at the service of more than one million customers.

About 430 dedicated operating and service support offices in 17 countries.

A continuously expanding base of Automated Teller Machines and Electronic Payment Terminals, numbering around 600.

Close to 1,800,000 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),
and investment fund AUREOS.

UNIQUE EXPERIENCE IN AFRICA

Continuous development for over 30 years.

THE COMMITMENTS OF THE GROUP

- **QUALITY** of customer service
- **DYNAMIC,** accessible staff
- **FINANCIAL SOLIDITY**
- **COHESIVE** network
- **DIVERSITY:** wide range of financing solutions
- **EXPERTISE** in financial engineering
- **STRONG** partners

GROUP TURNOVER 2013:

493.7

MILLION EUROS

(*) Figures at 30/4/2014.

BANKING PRODUCTS & SERVICES OF BOA-UGANDA

ACCOUNTS

Current Account
Remunerated Current Account
Salary Account
Personal Current Account

INVESTMENT PRODUCTS

Ambitions Savings Plan
Children Savings Account 'Tots 2 Teens'
Classic Savings Account
Forexave Account
Ero Savings Account
Gold Plus Account
Ordinary Savings 'Classic savings'
Fixed Deposit Account
Reward Savings Account
School Fees Collection Account
SESAME Savings Account
Student Account 'Young Mullah'
Voluntary Savings and Loans Association Account 'VSLA'

ELECTRONIC BANKING

B-SMS
B-Phone
B-Web
SESAME ATM Card

MOBILE FINANCIAL SERVICES

B-Web Smart
MTN Mobile Money

PACKS

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

LOANS

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

TRANSFERS & CHANGES

BANK OF AFRICA Mobile Wallet
Foreign Exchange
Moneygram
Western Union

COMPLEMENTARY PRODUCTS & SERVICES

Banker's Cheques
Electronic Tuition Payments
Electronic Utility Bill Payments
E-tax Payments

COMPANY SERVICES

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

ACTIVITY REPORT

Ronald MARAMBII
Managing Director

Arthur ISIKO
Deputy Managing Director

COMMENTS FROM THE MANAGING DIRECTOR

Following a year of economic turbulence, the Ugandan economy made remarkable strides in 2013 despite a rise in headline inflation from 5.3% at the end of 2012 to 6.7% at the close 2013. The economy gained momentum and grew by 5.1% compared to the revised growth of 3.4% in 2011/12 spurred by growth in construction, transport and communication, manufacturing, and real estate activities. Though the growth deviated from the targeted trend of 5.6% due to spillover effects from the global economy, the effects of fiscal consolidation and the lagged impact of the tight monetary stance in 2012, Uganda's investment profile improved leading to the recognition of the work done by the Central Bank, under the stewardship of Prof. MUTEBILE, by the AFRICAN INVESTOR GROUP in association with INTERNATIONAL FINANCE CORPORATION, MULTILATERAL INVESTMENT GUARANTEE AGENCY and WORLD BANK. He was awarded an accolade as the Central Bank Governor of the Year 2013.

The countercyclical and accommodative monetary policy contributed to the success of the Central Bank's policy projections of fostering price stability and a sound financial system. The Central Bank Rate (CBR) reduced from 12% in December 2012 to 11.5% in December 2013. Lending rates averaged 20.92% across all commercial banks with growth in private sector credit remaining subdued posting a decline in annual growth from 13.4% in January 2013 to 6.4% by December 2013.

Looking at the BOA-UGANDA 2013 performance, we closed the year on a low with Ushs 429 billion in total assets posting a 4% decline from the 2012 position with loans and advances accounting for 47% of the asset book down from the 2012 share of 54%. The customer deposit base also decreased in 2013 closing at Ushs 295 billion by year end, representing a decrease in the share of total funding from 77% to 68%. The Bank recorded a loss of Ushs 6.7 billion, an unsatisfactory result owing to the difficult economic environment, and deterioration in portfolio credit quality during the year.

Though BOA-UGANDA was not spared by the harsh economic environment, the Bank continues to be committed to offering services closer to Ugandans. In March 2013, the Bank opened a new fully fledged branch in Rubirizi district bringing our total network size to 33 branches. In support of this expansion strategy and to also comply with the Central Bank's minimum capital requirements, the shareholders increased their capital contribution. 2013 also saw the launch of our Commercial Action Plan with a customer service oriented organigram and product offering to better serve our clientele base. Some of the products introduced include the Ambitions Savings Plan, MY BUSINESS Pack, the SALARY Pack, and the PUBLIC SERVICE Pack.

During the year, as part of our strategic mandate to run our business in a socially responsible and sustainable way in the communities in which we operate, the Bank organized a first of its kind Car Boot Sale in support of Sickle Cell treatment in Uganda. All proceeds from the sale were earmarked to purchase a hemoglobin electrophoresis machine to equip the Sickle Cell lab in Uganda. BOA-UGANDA had the support of the Government through the Ministry of Health and other Sickle Cell treatment stakeholders for the event. The event is poised to be an annual event as our way of giving back to society. Within the same period, the Bank continued with its financial literacy trainings in Northern Uganda through its Voluntary Savings Loan Associations. 669 groups with a deposit base of Ushs 538 million came on board. Later in the year around August, Financial Literacy Campaign was launched by the Central Bank as a critical factor in improving the quality of life and enhancing financial inclusion in Uganda. It will also augment the uptake of financial services and improve the savings culture.

The outlook for 2014 is a little softer and the growth prospects are looking favorable basing on the subdued commodity prices, health food supply, foreign exchange rate stability and the maintenance of headline inflation in the tolerance band of plus/minus 3.

Against this backdrop, BOA-UGANDA is set to overcome challenges faced in 2013. Some of the key 2014 expectations include:

- Increasing our footprint across the country in terms of brick and mortar, mobile banking and banking on the wheels;
- Rolling out a Group cross border payment system to realize regional synergies; and
- Launching of the prepaid VISA card, and WESTERN UNION money transfer service among other products.

We are greatly indebted to our clients both existing and those prospecting to join the BOA-UGANDA family. The support from all our stakeholders and most especially the shareholders cannot go without being recognized. To the BOA-UGANDA team I say BRAVO!

Ronald MARAMBII

Managing Director

HIGHLIGHTS 2013

JANUARY

Held a Press Conference for the launch of the BANK OF AFRICA – UGANDA LTD. flagship CSR initiative dubbed “BANK OF AFRICA Car Boot Sale”.

FEBRUARY

Held an appreciation dinner for the top 200 customers at a Corporate Clients Brunch.

Launched the “Youth Account Club” and awarded students with internship placements.

MARCH

Launched the inaugural BANK OF AFRICA – UGANDA LTD. flagship CSR initiative through a car boot sale.

Opened Rubirizi Branch.

APRIL

Started the airing of the “Sawa Ya Cash” reality television series competition.

JUNE

Launched the ACAP products into the market.

SEPTEMBER

ACAP was fully rolled out in the BANK OF AFRICA – UGANDA LTD. branches network countrywide.

Awarded the winning architectural design for the Head Office design competition: “HUGO project”.

OCTOBER

Celebrated the 51st Independence Anniversary of the Republic of Uganda.

KEY FIGURES ON 31/12/2013

ACTIVITY

Deposits*	295,164
Loans*	200,234

INCOME

Net interest income*	29,730
Operating income*	45,381
Operating expense*	(40,481)
Profit/(Loss) before tax*	(8,200)
Profit/(Loss) after tax*	(6,780)

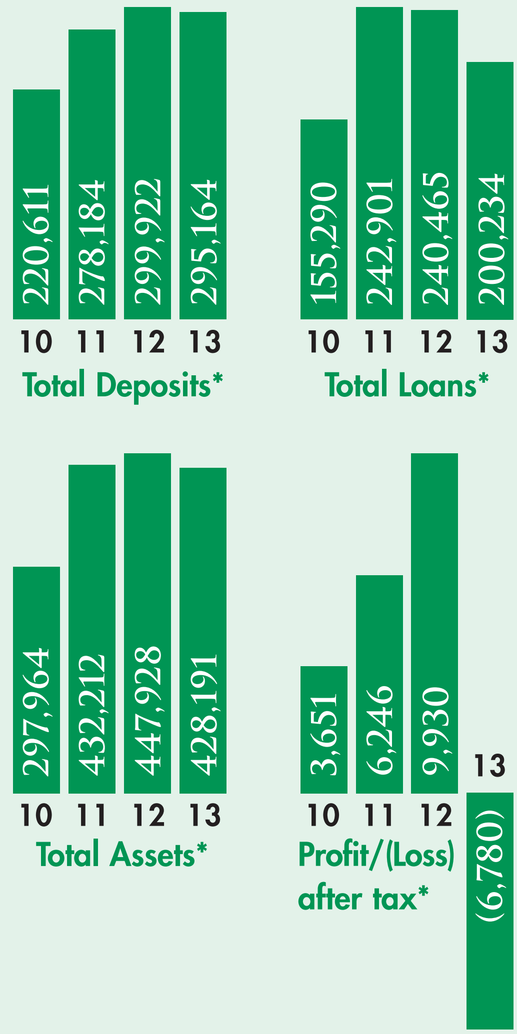
STRUCTURE

Number of Employees	339

Total Assets*

428,191

EVOLUTION FROM 2010 TO 2013



(*) In Ushs millions

(Euro 1 = Ushs 3,466.05 as at 31st December 2013).

General Manager - Business Development: Mr Claver SERUMAGA shares a handshake with the Prime Minister, Honorable Amama MBABAZI, during the Grand Finale of the reality television series: "Sawa Ya Cash".

The BANK OF AFRICA – UGANDA LTD. rig van at the Kampala City Council authority Independence celebrations.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

THE BANK OF AFRICA CAR BOOT SALE

On 26th March 2013, BANK OF AFRICA – UGANDA LTD launched its inaugural flagship Corporate Social Responsibility (CSR) Initiative: Sickle Cell Disease and the awareness of it. The initiative was launched at the first ever car boot sale in Uganda, dubbed "The BANK OF AFRICA Car Boot Sale".

Sickle Cell is an inherited disease that affects the red blood cells and causes painful episodes to the patients when affected cells disrupt the flow of blood. A mutation of the haemoglobin molecule in the red cell responsible for carrying oxygen to the tissues causes the molecules to form chains when oxygen is removed, and these distort the red cells into the sickle shape. These cells are rapidly destroyed in the circulation causing anaemia, jaundice and gallstones but also block flow in blood vessels causing damage to tissues all over the body. These problems include damage to the spleen so the child is prone to serious infections and acute severe anaemia, the brain-causing strokes particularly in young children, the lungs producing a pneumonia-like problem, the bone marrow causing the painful crisis of the disease, and the skin which may result in chronic ulcers around the ankles.

UGANDA has the highest number of people with the Sickle Cell Disease trait carrier's world-wide, and has one of the highest sickle cell prevalence rates in Africa although the exact numbers are not known since studies done in the 1960's reveal that a growing problem in Uganda, with up to 39% prevalence in some regions like western Uganda. Few studies have been carried out in the recent past.

Over 25,000 children in Uganda are born with Sickle Cell Disease every year; up to 80 percent of these do not live to be two years. These deaths are attributed to lack of proper care at the grassroots for the sicklers within Uganda's health delivery system. Experts want the care and sickle cell tests on pregnant mothers to be integrated within the antenatal services and the primary health care system. Most of the deaths can be avoided by simple interventions if the communities are sensitized. Unfortunately, even Mulago, the national referral hospital, has no study of the disease, doesn't have adequate haemoglobin electrophoresis which is the basic test for diagnosing Sickle Cell Disease and the methods of diagnosis are too old, making treatment harder. Corporate companies and the government of Uganda have also left the disease unattended to.

SAMSUNG joins BOA-UGANDA in the cause by donating phones to participating vendors.

A participant donates blood at the BANK OF AFRICA Car Boot Sale.

Children take part in the dancing competition, to win prizes.

It is against this background that BOA-UGANDA LTD. Corporate Social Responsibility flagship activity was launched. The initiative was aimed at fundraising for the purchase of a hemoglobin electrophoresis. The disease would receive the required PR through our engagement with the cause. Participants were requested to buy items from the vendors that were invited to showcase their products in the boot of their cars. Other activities included: donation of blood, kids play activities, entertainment from the most prominent musicians in Uganda and other activities. The Car Boot Sale attracted over 3,000 participants and will be an annual event.

The Everest College football team, winners of the World Sickle Cell Day Football Tournament, celebrates after receiving their trophy.


In a speech to participants, BOA- UGANDA MD pledges continued support of the WAWI Fistula walk.

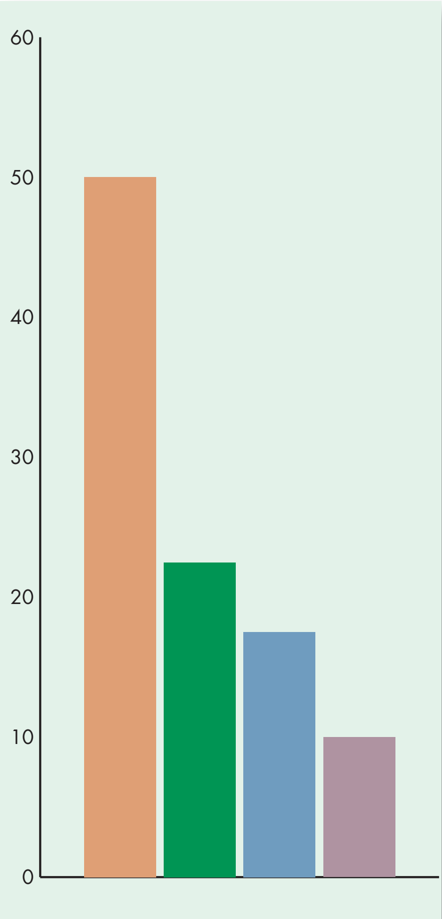

L-R: Mr Amandua JACINTO, Commissioner Clinical Services- Ministry of Health; Edigold MONDAY, BOA-UGANDA MD; & Mrs Halima NAMAKULA, Women at Work International (WAWI) CEO, taking stride alongside each other, during the Fistula Walk celebrations.

BOARD OF DIRECTORS & CAPITAL

BOARD OF DIRECTORS

The Directors who held office during the year up to 28th February 2014 were:

John CARRUTHERS, Chairman
Mohamed BENNANI
Kwame AHADZI
Abdelkabir BENNANI
Vincent de BROUWER
Bernard J. CHRISTIAANSE
Arthur ISIKO
Mohan Musisi KIWANUKA
Edigold MONDAY



CAPITAL

The authorized share capital of the Bank is Ushs 29,498,426,000 divided into 29,498,426 ordinary shares with par value of Ushs 1,000 each.

The issued share capital is Ushs 29,498,426,000 as at 28th March 2014.

The following was the Bank's shareholding structure as at 28th March 2014.

50.01%	BANK OF AFRICA – KENYA
22.48%	AFH-OCEAN INDIEN
17.51%	NETHERLANDS DEVELOPMENT FINANCE COMPANY (FMO)
10.00%	CENTRAL HOLDINGS LTD

John CARRUTHERS

Chairman of the Board of Directors

2013 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: 23

Estimations as at 31/12/2013

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.

Auditors

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

Branches

MAIN BRANCH - Plot 45, Jinja Road - Kampala

EQUATORIAL BRANCH - Plot 84/86, Ben Kiwanuka Street - Kampala

NDEEBA BRANCH - Plot 1024, Masaka Road, Ndeeba - Kampala

PARK BRANCH - Mukwano Centre, Plot 40/46, Ben Kiwanuka Street - Kampala

KAMPALA ROAD BRANCH - Plot 48, Kampala Road - Kampala

NTINDA BRANCH - Plot 49, Ntinda Road - Ntinda

WANDEGEYA BRANCH - KM Plaza, Plot 18, Bombo Road - Kampala

ENTEBBE BRANCH - Plot 16, Kampala Road - Entebbe

NAKIVUBO BRANCH - Plot 15, Nakivubo Road - Kampala

MUKONO BRANCH - Plot 13, Kampala Road - Mukono

KABALAGALA BRANCH - Plot 559, Ggaba Road - Kabalagala

OASIS BRANCH - Oasis Mall-Nakumatt, Plot 88/94, Yusuf Lule Road - Kampala

JINJA MAIN BRANCH - Plot 1, Main Street - Jinja

JINJA CLIVE ROAD BRANCH - Plot 18, Clive Road East - Jinja

ARUA BRANCH - Plot 19, Avenue Road - Arua

LIRA BRANCH - Town View Hotel, Plot 1A, Balla Road - Lira

MBARARA BRANCH - Plot 1, Mbaguta Road - Mbarara

MBALE BRANCH - Plot 26, Cathedral Avenue - Mbale

FORT PORTAL BRANCH - Plot 14, Bwamba Road - Fort portal

GULU BRANCH - Plot 11, Awere Road - Gulu

NALUKOLONGO MINI BRANCH - Kobil Head Office, Plot 4, Wankulukuku Road - Kampala

KAWEMPE BRANCH - Plot 165, Bombo Road - Kampala

KOLOLO BRANCH - Plot 9, Cooper Road (Kisementi) - Kampala

LUZIRA BRANCH - Plot 1329/1330, Portbell Road - Kampala

NANSANA BRANCH - Plot 5390, Hoima Road, Nansana - Kampala

NATEETE BRANCH - Plot 1/2, Old Masaka Road - Kampala

HOIMA BRANCH - Plot 13, Wright Road Hoima - Hoima

BBIRA MINI BRANCH - Plot 439, Mityana Road - Kampala

PATONGO BRANCH - Plot 33, Dollo Road, Patongo - Lira

KALONGO MINI BRANCH - Plot 16, Patongo Road - Lira

NAMASUBA BRANCH - Freedom City Mall, Plot 4010, Entebbe Road - Kampala

RWENZORI COLLECTION CENTRE - Rwenzori House, Plot 1, Lumumba Avenue - Kampala

RUBIRIZI BRANCH - Bamugaya House, Rubirizi Town Council - Kasese Road - Mbarara

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors submit their report together with the audited financial statements for the year ended 31 December 2013, which disclose the state of affairs of BANK OF AFRICA – UGANDA Limited ("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 net loss for the year of Shs 6,780 million (2012: restated profit of USHS 9,930 million) has been taken to retained earnings. The Directors do not recommend the payment of a dividend for the year ended 31 December 2013 (2012: USHS 6,825 million).

DIRECTORS

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

John CARRUTHERS	**Chairman**
Edigold MONDAY	Managing Director
Arthur ISIKO	Executive Director
Mohamed BENNANI	Non-executive Director
Abdelkabir BENNANI	Non-executive Director
Vincent de BROUWER	Non-executive Director
Mohan Musisi KIWANUKA	Non-executive Director
Bernard J. CHRISTIAANSE	Non-executive Director (Appointed 14 March 2013)
Kwame AHADZI	Non-executive Director
Peter LOCK	Non-executive Director (Resigned 14 March 2013)

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.

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.

The Managing Director, Edigold MONDAY, introduces her managerial team to the guests during her remarks at the Rubirizi Branch opening.

These are the Risk Management Committee, Assets and Liabilities 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 2013, the Board of Directors consisted of 9 members.

Committee	Head	Membership	Meeting frequency
Risk Management	Non-executive Director	3 non-executive members 1 executive member	Quarterly
Assets and Liabilities 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 appointed during the year ended 31 December 2013 and continues in office in accordance with the provisions of Section 167 (2) of the Ugandan Companies Act and Section 62 (3) of the Financial Institutions Act 2004.

BY ORDER OF THE BOARD

Rehmah NABUNYA

Secretary
11 March 2014

Some of the guests at the Corporate Clients brunch held at the Kampala Serena Hotel.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2013

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, 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:

Mohan KIWANUKA
Director

John CARUTHERS
Director

Arthur ISIKO
Director

11 March 2014

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF BANK OF AFRICA – UGANDA LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of BANK OF AFRICA – UGANDA Limited ("the Bank"), set out on pages 24 to 70. These financial statements comprise the statement of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and 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 in the manner required by 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 these 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 as at 31 December 2013 and of 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.

The Executive Director BANK OF AFRICA – UGANDA LTD. awards the winning Architectural firm during the HUGO project award ceremony.

REPORT ON OTHER LEGAL REQUIREMENTS

The Companies Act 1963, (Act 179) requires that in carrying out our audit we consider and report 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

16 April 2014

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

BOA GROUP IN 2014

Over 30 years of growth

A presence in 17 countries

430 Branches and 600 ATMs

5,000 Employees of 25 nationalities

5 Economic zones:

WAEMU, ECOWAS, EAC, COMESA, SACD

A leading banking partner,

BMCE Bank, which is part of FinanceCom,

a major Moroccan financial group.

As at 31/03/2014

STATEMENT OF COMPREHENSIVE INCOME

	NOTES	2013	RESTATED 2012
		USHS MILLIONS	USHS MILLIONS
INTEREST INCOME	5	47,501	59,215
INTEREST EXPENSE	6	(17,771)	(26,061)
NET INTEREST INCOME		**29,730**	**33,154**
IMPAIRMENT LOSSES ON LOANS AND ADVANCES	16(B)	(13,100)	(6,363)
NET INTEREST INCOME AFTER LOAN IMPAIRMENT CHARGES		**16,630**	**26,791**
FEE AND COMMISSION INCOME	7	14,289	15,733
FEE AND COMMISSION EXPENSE	8	(2,219)	(1,758)
NET FOREIGN EXCHANGE GAINS	9	2,490	2,600
OTHER OPERATING INCOME		1,091	744
OPERATING EXPENSES	10	(40,481)	(35,000)
(LOSS)/PROFIT BEFORE INCOME TAX		**(8,200)**	**9,110**
INCOME TAX CREDIT/(EXPENSE)	12	1,420	820
(LOSS)/PROFIT FOR THE YEAR		(6,780)	9,930
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR		**(6,780)**	**9,930**
(LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED (SHS PER SHARE)	30	(249)	397

STATEMENT OF FINANCIAL POSITION

	NOTES	2013	RESTATED 2012	RESTATED 2011
		USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
ASSETS				
CASH AND BALANCES WITH BANK OF UGANDA	13	68,459	60,811	47,552
DEPOSITS AND BALANCES DUE FROM OTHER BANKING INSTITUTIONS	14	16,925	25,305	42,995
DEPOSITS DUE FROM GROUP COMPANIES	32(A)	5,946	8,786	8,941
GOVERNMENT SECURITIES	15	101,107	81,080	63,440
LOANS AND ADVANCES TO CUSTOMERS	16	200,234	240,465	242,901
OTHER ASSETS	17	6,903	6,551	5,614
DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	15	-	-	195
CURRENT INCOME TAX RECOVERABLE	12	56	86	532
PROPERTY AND EQUIPMENT	18	15,278	16,092	16,814
OPERATING LEASE PREPAYMENTS	19	3,192	3,239	1,075
INTANGIBLE ASSETS	20	2,879	1,964	1,015
DEFERRED INCOME TAX ASSET	25	7,212	3,549	1,138
TOTAL ASSETS		**428,191**	**447,928**	**432,212**
LIABILITIES				
CUSTOMER DEPOSITS	21	295,164	299,922	278,184
DEPOSITS AND BALANCES DUE TO OTHER BANKING INSTITUTIONS	22	12,454	17,054	38,554
DEPOSITS DUE TO GROUP COMPANIES	32(B)	7,615	5,717	12,619
DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	15	8	12	-
OTHER BORROWINGS	23	52,912	63,929	51,657
OTHER LIABILITIES	24	7,375	5,026	5,122
TOTAL LIABILITIES		**375,528**	**391,660**	**386,136**
EQUITY				
SHARE CAPITAL	26	29,499	25,000	20,919
SHARE PREMIUM	26	10,891	5,390	6,086
REGULATORY CREDIT RISK RESERVE	16(C)	1,927	2,958	2,465
RETAINED EARNINGS		10,346	22,920	16,606
TOTAL EQUITY		**52,663**	**56,268**	**46,076**
TOTAL EQUITY AND LIABILITIES		**428,191**	**447,928**	**432,212**

The financial statements on pages 24 to 70 were approved for issue by the Board of Directors on 19 February 2014.

Mohan KIWANUKA	**John CARUTHERS**	**Arthur ISIKO**	**Rehmah NABUNYA**
Director	Director	Director	Secretary

STATEMENT OF CHANGES IN EQUITY

	NOTES	SHARE CAPITAL	SHARE PREMIUM	REGULATORY RESERVE	RETAINED EARNINGS	TOTAL
		USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
YEAR ENDED 31 DECEMBER 2011						
AT 1 JANUARY 2011	26	8,666	9,420	1,559	12,583	32,228
COMPREHENSIVE INCOME:						
PROFIT FOR THE YEAR – AS PREVIOUSLY STATED		-	-	-	6,246	6,246
CORRECTION OF CURRENT PERIOD ERRORS		-	-	-	508	508
PROFIT FOR THE YEAR AS RESTATED		-	-	-	6,754	6,754
OTHER COMPREHENSIVE INCOME		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**-**	**-**	**-**
TRANSFER TO REGULATORY RESERVE		-	-	906	(906)	-
TRANSACTIONS WITH OWNERS:						
BONUS ISSUE OF SHARES		3,334	(3,334)	-	-	-
RIGHTS ISSUE		8,919	-	-	-	8,919
FINAL DIVIDEND PAID FOR 2010		-	-	-	(1,825)	(1,825)
AT END OF YEAR		**20,919**	**6,086**	**2,465**	**16,606**	**46,076**
YEAR ENDED 31 DECEMBER 2012						
AT 1 JANUARY 2012 (AS PREVIOUSLY STATED)	26	20,919	6,086	2,465	16,098	45,568
CORRECTION OF PRIOR PERIOD ERRORS		-	-	-	508	508
AT START OF YEAR (AS RESTATED)		**20,919**	**6,086**	**2,465**	**16,606**	**46,076**
COMPREHENSIVE INCOME :						
PROFIT FOR THE YEAR		-	-	-	9,930	9,930
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**-**	**9,930**	**9,930**
TRANSFER TO REGULATORY RESERVE		-	-	493	(493)	-
TRANSACTIONS WITH OWNERS:						
BONUS ISSUE OF SHARES		696	(696)	-	-	-
RIGHTS ISSUE		3,385	-	-	-	3,385
FINAL DIVIDEND PAID FOR 2011		-	-	-	(3,123)	(3,123)
AT END OF YEAR		**25,000**	**5,390**	**2,958**	**22,920**	**56,268**
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 TO REGULATORY RESERVE		-	-	(1,031)	1,031	-
TRANSACTIONS WITH OWNERS:						
RIGHTS ISSUE		4,499	5,501	-	-	10,000
FINAL DIVIDEND PAID FOR 2012 (NOTE 28)		-	-	-	(6,825)	(6,825)
AT 31 DECEMBER 2013	**26**	**29,499**	**10,891**	**1,927**	**10,346**	**52,663**

STATEMENT OF CASH FLOWS

	NOTES	2013	RESTATED 2012
		USHS MILLIONS	USHS MILLIONS
CASH FLOWS FROM OPERATING ACTIVITIES			
INTEREST RECEIPTS		47,744	59,763
INTEREST PAYMENTS		(19,861)	(24,503)
NET FEE AND COMMISSION RECEIPTS		12,070	13,975
OTHER INCOME RECEIVED		3,567	3,344
RECOVERIES FROM LOANS PREVIOUSLY WRITTEN OFF	16(B)	6,735	3,656
PAYMENTS TO EMPLOYEES AND SUPPLIERS		(36,243)	(29,552)
INCOME TAX PAID	12	(2,213)	(1,145)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**11,799**	**25,538**
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
- LOANS AND ADVANCES		18,332	(8,410)
- CASH RESERVE REQUIREMENT		381	(1,739)
- OTHER ASSETS		(352)	(2,906)
- CUSTOMER DEPOSITS		(2,987)	20,535
- DEPOSITS DUE TO OTHER BANKS		(4,574)	(21,890)
- AMOUNTS DUE TO GROUP COMPANIES		2,249	(7,001)
- OTHER LIABILITIES		3,634	(1,171)
- GOVERNMENT SECURITIES		(24,776)	(13,098)
NET CASH UTILISED IN OPERATING ACTIVITIES		**3,706**	**(10,142)**
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASE OF PROPERTY AND EQUIPMENT	18	(2,373)	(3,304)
PURCHASE OF INTANGIBLE ASSETS	20	(1,414)	(617)
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT		15	15
NET CASH UTILISED IN INVESTING ACTIVITIES		**(3,772)**	**(3,919)**
CASH FLOWS FROM FINANCING ACTIVITIES			
ISSUE OF ORDINARY SHARES	26	10,000	3,385
PROCEEDS FROM/(REPAYMENT OF) BORROWED FUNDS	26	(11,049)	12,016
DIVIDENDS PAID	28	(6,825)	(3,123)
NET CASH GENERATED/(UTILISED) FROM FINANCING ACTIVITIES		(7,874)	12,278
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(7,940)**	**(1,783)**
CASH AND CASH EQUIVALENTS AT START OF YEAR		90,058	91,841
CASH AND CASH EQUIVALENTS AT END OF YEAR	**29**	**82,118**	**90,058**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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 Limited
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 profit and loss account is represented 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 MILLIONS).

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) New and amended standards adopted by the Bank

IAS 1, 'Presentation of financial statements'

The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles.

IFRS 13, 'Fair value measurement'

• IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market is the market with the greatest volume and level of activity for the asset or liability that can be accessed by the entity. The guidance includes enhanced disclosure requirements. The requirements are similar to IFRS 7, 'Financial instruments: Disclosures' but apply to all assets and liabilities measured at fair value, not just financial ones.

IAS 19, 'Employee benefits'

- The amendment to IAS 19, 'Employee benefits' makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to the disclosures for all employee benefits. Key features are as follows:
- Actuarial gains and losses are renamed 'remeasurements' and can only be recognised in 'other comprehensive income' without any recycling through profit or loss in subsequent periods.
- Past service costs will be recognised in the period of a plan amendment and curtailment occurs only when an entity reduces significantly the number of employees.
- The amendment clarifies the definition of termination benefits. Any benefit that has a future service obligation is not a termination benefit.

Annual benefit expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability.

(ii) Standards and interpretations issued but not yet effective

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank.

IFRS 9, 'Financial instruments part 1: Classification and measurement' and part 2: Financial liabilities and Derecognition of financial instruments

IFRS 9, part 1 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2018, earlier adoption is permitted. The Bank is considering the implications of the Standard, the impact on the Bank and the timing of its adoption by the Bank.
- IFRS 9, part 2 was issued in October 2010 and includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation of financial liabilities and for derecognizing financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and Measurement', without change except for financial liabilities that are designated at fair value through profit or loss.

Under the new standard, entities with financial liabilities at fair value through profit or loss recognize changes in the liability's credit risk directly in other comprehensive income. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity.

(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 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 as sets 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.

(i) 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 from180 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.

(ii) 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:

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 remeasurement. 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

Significant judgement has been applied and critical assumptions made by the Directors in accounting for the deferred income tax asset of USHS 7,212 million relating mainly to accumulated tax losses as at 31 December 2013, of which USHS 3,663 million has been recognised in the year ended 31 December 2013.

Directors' judgement has been applied in determining that it is probable that the Bank will generate sufficient taxable profits in future periods against which accumulated tax losses will be utilised.

(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 2013, 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's historical loss experience to arrive at the credit loss ratio. A loss ratio of 0.84% 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:

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
PLACEMENTS WITH OTHER BANKS (NOTE 14)	16,925	25,305	42,995
AMOUNTS DUE FROM GROUP COMPANIES (NOTE 32(A))	5,946	8,786	8,941
LOANS AND ADVANCES TO CUSTOMERS (NOTE 16)	200,234	240,465	242,901
GOVERNMENT SECURITIES (NOTE 15(A))	101,107	81,080	63,440
OTHER ASSETS (NOTE 17)	6,903	6,551	5,809
CREDIT RISK EXPOSURES RELATING TO OFF-BALANCE SHEET ITEMS:			
- ACCEPTANCES AND LETTERS OF CREDIT	6,949	29,500	44,970
- GUARANTEE AND PERFORMANCE BONDS	65,186	54,366	43,328
- COMMITMENTS TO LEND	19,744	13,212	13,328
TOTAL EXPOSURE	**422,994**	**459,265**	**465,712**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2013, 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, 53% of the total maximum exposure is derived from loans and advances to banks and customers. 24% represents investments in debt securities.

Loans and advances to customers, other than to major corporate and to salaried individuals borrowing less than UShs 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
- 67% of the loans and advances portfolio are neither past due nor impaired
- 93% of the loans and advances portfolio is not impaired
- 94% of the loans and advances portfolio are backed by collateral

(iv) Loans and advances

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
NEITHER PAST DUE NOR IMPAIRED	142,836	230,915	238,231
PAST DUE BUT NOT IMPAIRED	52,210	16,628	6,126
IMPAIRED	17,689	1,624	1,109
GROSS	212,735	249,167	245,466
LESS: ALLOWANCE FOR IMPAIRMENT (NOTE 16 (A))	(12,501)	(8,702)	(2,565)
NET AMOUNT	**200,234**	**240,465**	**242,901**

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:

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
STANDARD AND WATCH	142,836	238,231	148,397

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:

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
PAST DUE UP TO 30 DAYS	44,776	1,788	4,054
PAST DUE 31 – 60 DAYS	3,956	528	959
PAST DUE 61 – 90 DAYS	1,011	706	298
PAST DUE OVER 90 DAYS	2,467	13,606	816
TOTAL	**52,210**	**16,628**	**6,216**

Individually impaired:

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

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
INDIVIDUALLY ASSESSED IMPAIRED LOANS			
- CORPORATE	6,183	19	32
- SME	8,690	829	225
- CONSUMER	2,816	776	852
TOTAL	**17,689**	**1,624**	**1,109**
FAIR VALUE OF COLLATERAL HELD	**7,878**	**18,196**	**10,081**

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 7,973 million (2012: Ushs 13,310 million).

Repossessed collateral

During 2013, 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.

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
AT 31 DECEMBER 2013	**USHS MILLIONS**	**USHS MILLIONS**	**USHS MILLIONS**	**USHS MILLIONS**	**USHS MILLIONS**	**USHS MILLIONS**
LIABILITIES AND EQUITY						
CUSTOMER DEPOSITS	210,606	13,845	65,370	5,343	-	295,164
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	12,454	-	-	-	-	12,454
AMOUNTS DUE TO GROUP COMPANIES	16	7,599	-	-	-	7,615
OTHER BORROWED FUNDS	-	-	763	50,181	1,968	52,912
OTHER LIABILITIES	7,383	-	-	-	-	7,383
EQUITY	-	-	-	-	52,663	52,663
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	**245,739**	**21,444**	**66,133**	**55,524**	**54,631**	**428,191**

AT 31 DECEMBER 2013	UP TO 1 MONTH USHS MILLIONS	1-3 MONTHS USHS MILLIONS	3-12 MONTHS USHS MILLIONS	1-5 YEARS USHS MILLIONS	OVER 5 YEARS USHS MILLIONS	TOTAL USHS MILLIONS
ASSETS						
CASH AND BANK BALANCES WITH CENTRAL BANK	68,459	-	-	-	-	68,459
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	16,925	-	-	-	-	16,925
AMOUNTS DUE FROM GROUP COMPANIES	5,946	-	-	-	-	5,946
LOANS AND ADVANCES TO CUSTOMERS	34,457	15,596	17,094	106,640	26,447	200,234
GOVERNMENT SECURITIES	9,907	6,896	73,382	10,922	-	101,107
PROPERTY AND EQUIPMENT	-	-	-	-	15,278	15,278
OPERATING LEASE PREPAYMENTS	-	-	-	-	3,192	3,192
INTANGIBLE ASSETS	-	-	-	-	2,879	2,879
OTHER ASSETS	6,903	-	7,268	-	-	14,171
TOTAL ASSETS (EXPECTED MATURITY DATES)	**157,877**	**22,492**	**97,744**	**117,562**	**47,796**	**428,191**
NET LIQUIDITY GAP	**(87,862)**	**1,048**	**31,611**	**62,038**	**(6,835)**	**-**
AT 31 DECEMBER 2012 **NET LIQUIDITY GAP**	**(72,970)**	**(2,104)**	**20,060**	**43,369**	**11,645**	**-**
AT 31 DECEMBER 2011 **NET LIQUIDITY GAP**	**(93,845)**	**5,196**	**(4,058)**	**223,834**	**66,539**	**-**

Derivatives included in other liabilities as a net amount are broken down as below:

CURRENCY SWAPS ASSETS	15,280
CURRENCY SWAPS LIABILITIES	15,288
NET AMOUNT	**8**

(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.

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 2013 and 2012. Included in the table are the Bank's financial instruments, categorised by foreign currency.

	USD	GBP	EURO	OTHER	SUB TOTAL	UGX	TOTAL
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
AT 31 DECEMBER 2013							
ASSETS							
CASH AND BALANCES WITH CENTRAL BANK	16,105	2,431	5,159	75	23,770	44,689	68,459
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	16,469	319	44	91	16,923	2	16,925
AMOUNTS DUE FROM GROUP COMPANIES	5,088	14	769	64	5,935	11	5,946
LOANS AND ADVANCES	94,169	7	87	11	94,274	105,960	200,234
OTHER FINANCIAL ASSETS	5,064	-	5,254	-	10,318	126,309	136,627
TOTAL ASSETS	**136,895**	**2,771**	**11,313**	**241**	**151,220**	**276,971**	**428,191**
LIABILITIES							
CUSTOMER DEPOSITS	72,203	1,446	7,225	131	81,005	214,159	295,164
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	198	-	-	1	199	12,255	12,454
AMOUNTS DUE TO GROUP COMPANIES	7,608	-	-	2	7,610	5	7,615
OTHER FINANCIAL LIABILITIES	48,025	73	3,627	2	51,727	61,231	112,958
TOTAL LIABILITIES	**128,034**	**1,519**	**10,852**	**136**	**140,541**	**287,650**	**428,191**
NET ON-BALANCE SHEET POSITION	**8,861**	**1,252**	**461**	**105**	**10,679**	**(10,679)**	**-**
NET OFF-BALANCE SHEET POSITION	**(8,039)**	**(1,165)**	**(690)**	**-**	**(9,894)**	-	-
OVERALL OPEN POSITION	**822**	**87**	**(229)**	**105**	**785**	**-**	**-**
AT 31 DECEMBER 2012	2,996	461	(996)	118	2,579	-	-
AT 31 DECEMBER 2011	1,014	329	(450)	1,232	2,125	-	-

At 31 December 2013, if the functional currency had strengthened/weakened by 1% against the foreign currencies with all other variables held constant, the pre-tax loss for the year would have been UShs 7 million (2012: UShs 11 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 2013, 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 365 million (2012: UShs 279 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.

	UP TO 1 MONTH	1-3 MONTH	3-12 MONTH	OVER 1 YEARS	NON INTEREST BEARING	TOTAL
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
AT 31 DECEMBER 2013						
ASSETS						
CASH AND BANK BALANCES WITH CENTRAL BANK	-	-	-	-	68,459	68,459
DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS	16,925	-	-	-	-	16,925
AMOUNTS DUE FROM GROUP COMPANIES	5,946	-	-	-	-	5,946
LOANS AND ADVANCES TO CUSTOMERS	34,457	15,596	17,094	133,087	-	200,234
GOVERNMENT SECURITIES	9,907	6,896	73,382	10,922	-	101,107
PROPERTY AND EQUIPMENT	-	-	-	-	15,278	15,278
OPERATING LEASE PREPAYMENT	-	-	-	-	3,192	3,192
INTANGIBLE ASSETS	-	-	-	-	2,879	2,879
OTHER ASSETS	-	-	-	-	14,171	14,171
TOTAL ASSETS	**67,235**	**22,492**	**90,476**	**144,009**	**103,979**	**428,191**
LIABILITIES						
CUSTOMER DEPOSITS	111,494	13,845	65,370	5,343	99,112	295,164
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	12,454	-	-	-	-	12,454
AMOUNTS DUE TO GROUP COMPANIES	16	7,599	-	-	-	7,615
OTHER BORROWED FUNDS	-	-	763	49,052	3,097	52,912
OTHER LIABILITIES	-	-	-	-	7,383	7,383
EQUITY	-	-	-	-	52,663	52,663
TOTAL LIABILITIES	**123,964**	**21,444**	**66,133**	**54,395**	**162,255**	**428,191**
INTEREST RE-PRICING GAP	**(56,729)**	**1,048**	**24,343**	**89,614**	**-**	**-**
AT 31 DECEMBER 2012						
INTEREST SENSITIVITY GAP	**(35,234)**	**(7,767)**	**7,822**	**44,114**	**-**	**-**
AT 31 DECEMBER 2011						
INTEREST SENSITIVITY GAP	**(51,583)**	**(2,915)**	**(1,747)**	**119,920**	**-**	**-**

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 2013	8	-	-	8
AT 31 DECEMBER 2012	12	-	-	12

As at 31 December 2013, the Bank had financial assets measured at fair value.

(e) Financial instruments by category

	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE	TOTAL
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
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
DERIVATIVES	15,280	-	15,280
TOTAL	**407,951**	**-**	**407,951**
31 DECEMBER 2012			
ASSETS AS PER BALANCE SHEET			
CASH AND BALANCES WITH CENTRAL BANK	60,811	-	60,811
PLACEMENTS WITH OTHER BANKS	25,305	-	25,305
AMOUNTS DUE FROM GROUP COMPANIES	8,786	-	8,786
LOANS AND ADVANCES TO CUSTOMERS	240,465	-	240,465
INVESTMENT SECURITIES	81,080	-	81,080
DERIVATIVES	3,940	-	3,940
TOTAL	**420,387**	**-**	**420,387**
31 DECEMBER 2011			
ASSETS AS PER BALANCE SHEET			
CASH AND BALANCES WITH CENTRAL BANK	47,552	-	47,552
PLACEMENTS WITH OTHER BANKS	42,995	-	42,995
AMOUNTS DUE FROM GROUP COMPANIES	8,941	-	8,941
LOANS AND ADVANCES TO CUSTOMERS	242,901	-	242,901
INVESTMENT SECURITIES	63,440	-	63,440
DERIVATIVES	22,405		22,405
TOTAL	**428,234**	**-**	**428,234**

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
LIABILITIES AS PER BALANCE SHEET – AT AMORTISED COST			
CUSTOMER DEPOSITS	295,164	299,922	278,184
DEPOSITS FROM OTHER BANKS	12,454	17,054	38,554
AMOUNTS DUE TO GROUP COMPANIES	7,615	5,717	12,619
OTHER LIABILITIES	7,383	5,038	5,122
OTHER BORROWED FUNDS	52,912	63,929	51,657
TOTAL	**375,528**	**391,660**	**386,136**

(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 12% 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 8%; and
c) maintain total capital of not less than 12% 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 at 31 December 2013 determined in accordance with Bank of Uganda regulatory returns form BS 100A.

(f) Capital management (continued)

	2013	RESTATED 2012	RESTATED 2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
CORE CAPITAL (TIER 1)			
SHAREHOLDER'S EQUITY	40,390	30,390	27,005
RETAINED EARNINGS	10,346	22,920	16,606
INTANGIBLE ASSETS	(2,879)	(1,964)	(1,015)
DEFERRED INCOME TAX ASSET	(7,212)	(3,549)	(1,138)
UNREALIZED FOREIGN EXCHANGE GAINS	-	(3,753)	(197)
TOTAL CORE CAPITAL	**40,645**	**44,044**	**41,261**
SUPPLEMENTARY CAPITAL (TIER 2)			
REGULATORY CREDIT RISK RESERVE	1,927	2,958	2,465
SUBORDINATED DEBT	7,601	8,187	7,556
TIER 2 CAPITAL	**9,528**	**11,145**	**10,021**
TOTAL CAPITAL (TIER 1 AND TIER 2)	**50,173**	**55,189**	**51,282**

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 2013:

	BALANCE SHEET AMOUNT			RISK WEIGHT	RISK WEIGHTED AMOUNT		
	2013	2012	2011	%	2013	2012	2011
	USHS M	USHS M	USHS M	USHS M	USHS M	USHS M	USHS M
BALANCE SHEET ASSETS (NET OF PROVISIONS)							
CASH AND BALANCES WITH BANK OF UGANDA	68,459	60,811	47,552	0%	-	-	-
AMOUNTS DUE FROM OTHER BANKS:							
RATED AAA TO AA(-)	16,032	21,246	32,321	20%	3,206	4,249	6,464
RATED A(+) TO A(-)	101	3,205	9,689	50%	51	1,603	4,845
RATED A(-) AND NON-RATED	792	854	985	100%	792	854	985
AMOUNTS DUE FROM GROUP COMPANIES	5,946	8,786	8,941	100%	5,946	8,786	8,941
LOANS AND ADVANCES TO CUSTOMERS	200,234	240,465	242,901	100%	200,234	240,465	242,901
INVESTMENT SECURITIES HELD-TO-MATURITY	101,107	81,080	63,440	0%	-	-	-
PROPERTY AND EQUIPMENT	15,278	16,092	16,814	100%	15,278	16,092	16,814
OPERATING LEASE PREPAYMENTS	3,192	3,239	1,075	100%	3,192	3,239	1,075
INTANGIBLE ASSETS (OFFSET AGAINST CORE CAPITAL)	2,879	1,964	1,015	0%	-	-	-
TAX RECOVERABLE	56	86	532	0%	-	-	-
DEFERRED TAX ASSETS (OFFSET AGAINST CORE CAPITAL)	7,212	3,549	1,138	0%	-	-	-
OTHER ASSETS	6,903	6,551	5,809	100%	6,903	6,551	5,809
ON BALANCE SHEET ASSETS	**428,191**	**447,928**	**432,212**		**235,602**	**281,839**	**287,834**
OFF-BALANCE SHEET POSITIONS							
CONTINGENTS SECURED BY CASH COLLATERAL	2,331	2,331	2,651	0%	-	-	-
PERFORMANCE BONDS	62,855	52,035	41,176	50%	31,428	26,018	20,588
LETTERS OF CREDIT AND ACCEPTANCES	6,949	29,500	44,970	20%	1,390	5,900	8,994
COMMITMENTS TO LEND	19,744	13,212	13,328	50%	9,872	6,606	6,664
OFF BALANCE SHEET ITEMS	**91,879**	**97,078**	**102,125**	**-**	**42,690**	**38,524**	**36,246**
TOTAL RISK-WEIGHTED ASSETS	**520,070**	**545,006**	**534,337**	**-**	**278,292**	**320,363**	**324,080**

CAPITAL RATIOS PER FINANCIAL INSTITUTIONS	**2013**	**2012**	**2011**
CORE CAPITAL	14.6%	13.7%	12.7%
TOTAL CAPITAL	**18.0%**	**17.2%**	**15.8%**

FIA 2004 MINIMUM RATIO			
CORE CAPITAL	8%	8%	8%
TOTAL CAPITAL	**12.0%**	**12.0%**	**12.0%**

5. INTEREST INCOME

	2013	RESTATED 2012
	USHS MILLIONS	USHS MILLIONS
LOANS AND ADVANCES	35,283	50,231
GOVERNMENT SECURITIES	11,214	8,187
SHORT TERM PLACEMENTS	1,004	797
TOTAL	**47,501**	**59,215**

6. INTEREST EXPENSE

	2013	2012
	USHS MILLIONS	USHS MILLIONS
CUSTOMER DEPOSITS	12,950	17,590
DEPOSITS BY OTHER BANKING INSTITUTIONS	1,339	4,379
BORROWED FUNDS	2,416	2,597
OTHER	1,066	1,495
TOTAL	**17,771**	**26,061**

7. FEE AND COMMISSION INCOME

	2013	2012
	USHS MILLIONS	USHS MILLIONS
TRANSACTIONAL FEES AND COMMISSION INCOME	9,841	11,044
CREDIT RELATED FEES AND COMMISSION INCOME	4,448	4,689
TOTAL	**14,289**	**15,733**

8. FEE AND COMMISSION EXPENSE

	2013	2012
	USHS MILLIONS	USHS MILLIONS
TRANSACTIONAL FEES AND COMMISSION EXPENSE	1,929	1,553
CREDIT RELATED FEES AND COMMISSION EXPENSE	290	205
TOTAL	**2,219**	**1,758**

9. FOREIGN EXCHANGE INCOME

	2013	2012
	USHS MILLIONS	USHS MILLIONS
REALISED FOREIGN EXCHANGE (LOSSES)/GAINS	5,645	(1,153)
UNREALISED FOREIGN EXCHANGE GAINS	(3,155)	3,753
TOTAL	**2,490**	**2,600**

10. OPERATING EXPENSES

	2013	2012
	USHS MILLIONS	USHS MILLIONS
DEPRECIATION OF PROPERTY AND EQUIPMENT (NOTE 18)	3,172	3,055
AMORTISATION OF INTANGIBLE ASSETS (NOTE 20)	463	624
EMPLOYEE BENEFITS EXPENSE (NOTE 11)	19,212	16,989
AUDITOR'S REMUNERATION	129	105
LEGAL FEES	79	388
OTHER PROFESSIONAL FEES	2,680	1,412
RENT AND RATES	3,161	2,954
ADVERTISING AND PROMOTION	831	1,611
COMMUNICATION AND TECHNOLOGY	1,786	1,562
OTHER	8,968	6,300
TOTAL	**40,481**	**35,000**

11. EMPLOYEE BENEFITS EXPENSE

	2013	2012
	USHS MILLIONS	USHS MILLIONS
SALARIES AND WAGES	15,165	13,483
NSSF CONTRIBUTIONS	1,193	993
DEFINED CONTRIBUTION SCHEME CONTRIBUTIONS	407	256
OTHER STAFF COSTS	2,447	2,257
TOTAL	**19,212**	**16,989**

12. INCOME TAX CREDIT/(EXPENSE)

	2013	2012
		RESTATED
	USHS MILLIONS	USHS MILLIONS
CURRENT INCOME TAX CHARGE	2,243	1,591
DEFERRED INCOME TAX CREDIT (NOTE 25)	(3,663)	(2,411)
TOTAL	**(1,420)**	**(820)**
(LOSS)/PROFIT BEFORE INCOME TAX	(8,200)	9,110
TAX CALCULATED AT THE STATUTORY INCOME TAX RATE OF 30% (2012: 30%)	(2,460)	2,733
TAX EFFECT OF:		
INCOME NOT SUBJECT TO TAX	(3,988)	(3,147)
TAX EFFECT OF NON-DEDUCTIBLE ITEMS	1,677	308
FINAL TAX ON GOVERNMENT SECURITIES	2,243	1,464
PRIOR YEAR DEFERRED INCOME TAX OVER (UNDER) PROVISION	1,108	(2,178)
INCOME TAX CREDIT	**(1,420)**	**(820)**

Tax recoverable was as follows:

	2013	2012
AT START OF YEAR	86	532
ADJUSTMENTS FOR PRIOR PERIOD ITEMS	-	-
CURRENT INCOME TAX CHARGE	(2,243)	(1,591)
INCOME TAX PAID	2,213	1,145
AT END OF YEAR	**56**	**86**

13. CASH AND BALANCES WITH BANK OF UGANDA

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
CASH ON HAND	34,260	34,123	24,427
BALANCES WITH BANK OF UGANDA	34,199	26,688	23,079
TOTAL	**68,459**	**60,811**	**47,552**

14. PLACEMENTS AND DEPOSITS WITH OTHER BANKS

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
BALANCES DUE FROM FOREIGN BANKING INSTITUTIONS	11,865	22,604	41,993
DEPOSITS DUE FROM LOCAL BANKING INSTITUTIONS	5,060	2,701	1,002
TOTAL	**16,925**	**25,305**	**42,995**

15. GOVERNMENT SECURITIES AND DERIVATIVES

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

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
TREASURY BILLS			
FACE VALUE			
MATURING WITHIN 90 DAYS	14,401	19,150	14,709
MATURING AFTER 90 DAYS	78,803	43,730	2,091
TOTAL	**93,204**	**62,880**	**16,800**
UNEARNED INTEREST	(5,463)	(3,351)	(598)
TOTAL	**87,741**	**59,529**	**16,202**
TREASURY BONDS			
MATURING WITHIN 90 DAYS	3,923	-	-
MATURING AFTER 90 DAYS	10,751	24,010	53,042
TOTAL	**14,674**	**24,010**	**53,042**
UNEARNED INTEREST	(1,308)	(2,459)	(5,804)
TOTAL	**13,366**	**21,551**	**47,238**
LISTED DEBT SECURITIES	**101,107**	**81,080**	**63,440**

(b) Derivatives at fair value through profit or loss

The Bank uses the following derivative instruments for non-hedging purposes which comprise solely of currency swaps.

Currency swaps held are commitments to exchange one set of cash flows for another and result in an economic exchange of currencies. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for lending activities.

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:

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
CURRENCY SWAPS ASSETS	15,280	3,940	22,405
CURRENCY SWAPS LIABILITIES	15,288	3,952	22,210
NET	**(8)**	**(12)**	**195**

16. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis of loan advances to customers by category:

	2013	2012 RESTATED	2011 RESTATED
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
TERM LOANS	177,952	190,827	191,951
OVERDRAFTS	34,783	58,340	53,515
GROSS LOANS AND ADVANCES	**212,735**	**249,167**	**245,466**
LESS: PROVISION FOR IMPAIRMENT OF LOANS AND ADVANCES			
- INDIVIDUALLY ASSESSED	(11,681)	(7,319)	(1,133)
- COLLECTIVELY ASSESSED	(820)	(1,383)	(1,432)
TOTAL	**200,234**	**240,465**	**242,901**

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 2011			
AT 1 JANUARY	1,491	977	2,468
PROVISION FOR LOAN IMPAIRMENT	3,634	-	3,634
AMOUNTS RECOVERED DURING THE YEAR	(2,191)	-	(2,191)
TRANSFERS	(455)	455	-
LOANS WRITTEN OFF DURING THE YEAR AS UNCOLLECTIBLE	(1,346)	-	(1,346)
AT 31 DECEMBER 2011	**1,133**	**1,432**	**2,565**
YEAR ENDED 31 DECEMBER 2012			
AT 1 JANUARY	1,133	1,432	2,565
PROVISION FOR LOAN IMPAIRMENT	10,019	-	10,019
AMOUNTS RECOVERED DURING THE YEAR	(3,656)	-	(3,656)
TRANSFERS	49	(49)	-
LOANS WRITTEN OFF DURING THE YEAR AS UNCOLLECTIBLE	(226)	-	(226)
AT 31 DECEMBER 2012	**7,319**	**1,383**	**8,702**
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**

(b) Impairment losses charged to profit or loss

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
PROVISION FOR LOAN IMPAIRMENT (NOTE 16 (A))	19,835	10,019	3,634
AMOUNTS RECOVERED DURING THE YEAR (NOTE 16 (A))	(6,735)	(3,656)	(2,191)
TOTAL	**13,100**	**6,363**	**1,443**

Analysis as per Bank of Uganda guidelines.

TOTAL PROVISION AS PER IFRS			
IDENTIFIED IMPAIRMENT (NOTE 16 (A))	11,681	7,319	1,133
UNIDENTIFIED IMPAIRMENT	820	1,383	1,432
TOTAL	**12,501**	**8,702**	**2,565**

TOTAL PROVISIONS AS PER BOU GUIDELINES			
SPECIFIC PROVISIONS	12,416	9,069	2,565
GENERAL PROVISIONS	2,012	2,591	2,465
TOTAL	**14,428**	**11,660**	**5,030**

REGULATORY RESERVE			
AT 1 JANUARY	(2,958)	(2,465)	(1,559)
TRANSFER TO THE REGULATORY RESERVE	1,031	(493)	(906)
AT 31 DECEMBER	**(1,927)**	**(2,958)**	**(2,465)**

17. OTHER ASSETS

	2013	2012 RESTATED	2011 RESTATED
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
ACCOUNTS RECEIVABLE AND PREPAYMENTS	4,041	4,260	4,002
ITEMS IN TRANSIT	2,172	1,901	1,114
STATIONERY STOCKS	285	203	240
OTHER	405	187	258
TOTAL	**6,903**	**6,551**	**5,614**

18. PROPERTY AND EQUIPMENT

	MOTOR BUILDINGS	FITTINGS VEHICLES	FIXTURES, WORK & EQUIPMENT	IN PROGRESS	TOTAL
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
YEAR ENDED 31 DECEMBER 2012					
OPENING NET BOOK AMOUNT	3,078	341	11,242	2,153	16,814
ADDITIONS	-	109	2,190	1,005	3,304
DISPOSALS	-	-	(20)	-	(20)
TRANSFERS FROM WIP	-	-	1,196	(1,196)	-
TRANSFER FROM WIP (NOTE 20)	-	-	-	(957)	(957)
WRITE-OFFS	-	-	(2,289)	-	(2,289)
DEPRECIATION CHARGE	(73)	(173)	(2,809)	-	(3,055)
DEPRECIATION ON DISPOSALS	-	-	7	-	7
DEPRECIATION ON WRITE OFFS	-	-	2,288	-	2,288
CLOSING NET BOOK AMOUNT	**3,005**	**277**	**11,805**	**1,005**	**16,092**
COST	3,470	725	19,728	1,005	24,928
ACCUMULATED DEPRECIATION	(465)	(448)	(7,923)	-	(8,836)
NET BOOK AMOUNT	**3,005**	**277**	**11,805**	**1,005**	**16,092**
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	736	22,226	820	27,252
ACCUMULATED DEPRECIATION	(538)	(538)	(10,898)	-	(11,974)
NET BOOK AMOUNT	**2,932**	**198**	**11,328**	**820**	**15,278**

19. OPERATING LEASE PREPAYMENTS

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
COST			
AT 1 JANUARY	3,440	1,242	1,242
ADDITIONS	-	2,198	-
AT 31 DECEMBER	**3,440**	**3,440**	**1,242**
AMORTISATION			
AT 1 JANUARY	201	167	142
CHARGE FOR THE YEAR	47	34	25
AT 31 DECEMBER	**248**	**201**	**167**
NET BOOK VALUE			
AT 31 DECEMBER	**3,192**	**3,239**	**1,075**

20. INTANGIBLE ASSETS

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
NET BOOK AMOUNT AT 1 JANUARY	1,964	1,015	1,350
ADDITIONS: COMPUTER SOFTWARE	1,414	617	43
TRANSFERS FROM WORK IN PROGRESS (NOTE 18)	-	956	166
WRITE-OFFS	(214)	(175)	-
AMORTISATIONS	(463)	(624)	(544)
AMORTISATION ON WRITE-OFFS	178	175	-
NET BOOK AMOUNT AT 31 DECEMBER	**2,879**	**1,964**	**1,015**
COST	5,497	4,297	2,899
ACCUMULATED DEPRECIATION	(2,618)	(2,333)	(1,884)
NET BOOK AMOUNT	**2,879**	**1,964**	**1,015**

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

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
CURRENT AND DEMAND DEPOSITS	122,846	109,515	112,174
SAVINGS ACCOUNTS	87,273	78,408	70,936
FIXED DEPOSIT ACCOUNTS	80,439	109,303	93,205
MARGIN DEPOSITS	4,606	2,696	1,869
TOTAL	**295,164**	**299,922**	**278,184**

(b) Sectoral analysis - customer deposits

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
BANKS AND FINANCIAL INSTITUTIONS	19,398	29,605	34,330
PRIVATE ENTERPRISES AND INDIVIDUALS	75,386	74,417	58,628
GOVERNMENT AND PARASTATALS	19,841	-	10,713
AGRICULTURE	10,639	6,451	6,414
BUILDING AND CONSTRUCTION	17,739	21,523	33,087
MANUFACTURING	7,917	5,689	7,732
TRADE AND COMMERCE	47,263	43,751	38,592
TRANSPORT AND UTILITIES	20,770	13,697	9,692
OTHER SERVICES	76,211	104,789	78,996
TOTAL	**295,164**	**299,922**	**278,184**

22. DEPOSITS AND BALANCES DUE TO OTHER BANKING INSTITUTIONS

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
ITEMS IN COURSE OF COLLECTION	202	152	19
TERM DEPOSITS	12,252	16,902	38,535
TOTAL	**12,454**	**17,054**	**38,554**

The deposits with other banking institutions are interest bearing.

23. OTHER BORROWINGS

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
EIB - PRIVATE ENTERPRISE FINANCE FACILITY	11,395	13,006	1,373
FMO - TERM FACILITY	23,602	27,262	26,942
PROPARCO – SUBORDINATED LOAN	7,601	8,187	7,556
BOU AGRICULTURAL CREDIT FACILITY	3,097	3,862	3,372
IFC TERM FACILITY	7,217	11,612	12,414
TOTAL	**52,912**	**63,929**	**51,657**

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 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

	2013	RESTATED 2012	RESTATED 2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
BILLS PAYABLE	653	756	549
CREDITORS	3,204	2,089	1,298
DEFERRED FEES AND COMMISSION INCOME	1,062	641	2,337
ACCRUALS	2,456	1,540	938
TOTAL	**7,375**	**5,026**	**5,122**

25. DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2012: 30%), except for interest receivable on treasury bills and bonds where the enacted rate is 20% (2012: 15%). The movement on the deferred income tax account is as follows:

	2013	RESTATED 2012	RESTATED 2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
AT 1 JANUARY	3,549	1,138	814
PRIOR PERIOD ADJUSTMENTS	-	-	(67)
CREDIT TO INCOME STATEMENT (NOTE 12)	3,663	2,411	391
DEFERRED INCOME TAX ASSET	**7,212**	**3,549**	**1,138**

		AT START OF YEAR	(CREDIT)/ CHARGE TO SOCI	AT END OF YEAR
		USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
AS AT 31 DECEMBER 2013				
	DEFERRED INCOME TAX LIABILITIES			
	PROPERTY AND EQUIPMENT	1,984	396	2,380
	OTHER PROVISIONS	-	86	86
TOTAL		**1,984**	**482**	**2,466**
	DEFERRED INCOME TAX ASSETS			
	ALLOWANCE FOR IMPAIRMENT OF LOANS AND ADVANCES	112	(137)	(25)
	OTHER PROVISIONS	(268)	268	-
	TAX LOSSES	(4,251)	(4,455)	(8,706)
	UNREALISED EXCHANGE LOSSES	(1,126)	179	(947)
TOTAL		**(5,533)**	**(4,145)**	**(9,678)**
NET DEFERRED TAX INCOME (ASSET)/LIABILITY		**(3,549)**	**(3,663)**	**(7,212)**
AS AT 31 DECEMBER 2012				
	DEFERRED INCOME TAX LIABILITIES			
	PROPERTY AND EQUIPMENT	1,568	416	1,984
	DEFERRED INCOME TAX ASSETS			
	ALLOWANCE FOR IMPAIRMENT OF LOANS AND ADVANCES	(309)	421	112
	OTHER PROVISIONS	(261)	(7)	(268)
	TAX LOSSES	(2,077)	(2,174)	(4,251)
	UNREALISED EXCHANGE LOSSES	(59)	(1,067)	(1,126)
TOTAL		**(2,706)**	**(2,827)**	**(5,533)**
NET DEFERRED TAX INCOME (ASSET)/LIABILITY		**(1,138)**	**(2,411)**	**(3,549)**
AS AT 31 DECEMBER 2011				
	DEFERRED INCOME TAX LIABILITIES			
	PROPERTY AND EQUIPMENT	1,170	398	1,568
	DEFERRED INCOME TAX ASSETS			
	ALLOWANCE FOR IMPAIRMENT OF LOANS AND ADVANCES	(113)	(196)	(309)
	OTHER PROVISIONS	(200)	(61)	(261)
	TAX LOSSES	(1,947)	(130)	(2,077)
	UNREALISED EXCHANGE LOSSES	276	(335)	(59)
TOTAL		**(1,984)**	**(722)**	**(2,706)**
NET DEFERRED TAX INCOME (ASSET)/LIABILITY		**(814)**	**(324)**	**(1,138)**

26. SHARE CAPITAL

	NUMBER OF SHARES ISSUED & FULLY PAID (THOUSANDS)	ORDINARY SHARES USHS MILLIONS	SHARE PREMIUM USHS MILLIONS
2011			
AT 1 JANUARY 2011	8,666	8,666	9,420
RIGHTS ISSUE OF SHARES	8,919	8,919	-
BONUS ISSUE OF SHARES	3,334	3,334	(3,334)
AT 31 DECEMBER 2011	**20,919**	**20,919**	**6,086**
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**

The total authorised number of ordinary shares is 29.5 million (2012: 25 million) with a par value of UShs 1,000 per share.

In March 2013 the Board approved a rights issue of 4,498,426 shares at a price of UShs 2,223 per share which were payable by 30 June 2013 and were all fully paid up. This brought the total issued ordinary shares to 29.5 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.	50.01%	KENYA
AFH - OCEAN INDIEN	22.48%	MAURITIUS
NETHERLANDS DEVELOPMENT FINANCE COMPANY (FMO)	17.51%	THE NETHERLANDS
CENTRAL HOLDINGS LTD.	10.00%	UGANDA
TOTAL	**100.00%**	

28. DIVIDENDS

No dividend has been proposed for the year. (2012: a dividend of UShs 273 per share totalling to UShs 6,825 million). No interim dividends were paid in respect of the year (2012: Nil). The payment of dividends is subject to withholding tax at 15% or the rate specified under an applicable double taxation agreement.

29. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
CASH AND BALANCES WITH BANK OF UGANDA (NOTE 13)	68,459	60,811	47,552
LESS: CASH RESERVE REQUIREMENT	(23,613)	(23,994)	(22,255)
GOVERNMENT SECURITIES - MATURING WITHIN 90 DAYS (NOTE 15)	14,401	19,150	14,608
PLACEMENTS WITH OTHER BANKS (NOTE 14)	16,925	25,305	42,995
AMOUNTS DUE FROM GROUP COMPANIES (NOTE 32(A))	5,946	8,786	8,941
TOTAL	**82,118**	**90,058**	**91,841**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with 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 available to finance the Bank's day-to-day activities under restricted conditions with sanctions for non-compliance. The amount is determined as 8% of the average outstanding customer deposits over a cash reserve cycle period of fourteen days.

30. (LOSS)/EARNINGS PER SHARE

	2013	2012 RESTATED	2011 RESTATED
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK (SHS M)	(6,780)	9,930	6,246
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES IN ISSUE (THOUSANDS)	27,267	25,000	12,701
(LOSS)/EARNINGS PER SHARE (EXPRESSED IN SHS PER SHARE)	**(249)**	**397**	**492**

In June 2013, the Company issued 4,498,426 shares by way of a rights issue resulting in the increase in the weighted average number of ordinary shares in 2013.

There were no potentially dilutive shares outstanding at 31 December 2013 (2012: Nil).

31. PRIOR YEAR ADJUSTMENTS

The prior year adjustments relate to corrections to recognise the prepaid staff benefits expense on initial recognition of staff loans and reversal of the discount on staff loans previously recognised in the statement of comprehensive income; and accrual of staff leave expense for days not taken.

Opening retained earnings and comparative amounts have been restated to reflect these prior period adjustments as follows:

1) Amounts previously reported as at 31 December 2011 have been adjusted as follows:

a) A reduction in loans and advance by UShs 109 million

b) A reduction in other assets by UShs 652 million

c) A reduction in other liabilities by UShs 35 million

d) An increase in current income tax recoverable by UShs 151 million

e) An increase in the deferred income tax asset by UShs 67 million

f) A reduction in retained earnings of UShs 508 million being the net effect of the adjustments in 1 (a) to 1 (e) above.

2) Amounts previously reported as at 31 December 2012 have been adjusted as follows:

a) An increase in the interest income by UShs 505 million

b) An increase in the operating expenses by UShs 247 million

c) A reduction in income tax credit by UShs 77 million

d) A reduction loans and advance by UShs 112 million

e) An increase in other assets by UShs 679 million

f) A reduction in other liabilities by UShs 308 million

g) An increase in current income tax recoverable by UShs 127 million

h) An reduction in the deferred income tax asset by UShs 50 million

i) An increase in retained earnings of UShs 182 million being the total of the adjustments in 2(a), 2(b) and 2(c) above.

32. RELATED PARTY DISCLOSURES

The Bank is 50% owned by BANK OF AFRICA – KENYA Limited incorporated in Kenya. The balances and transactions with related parties are shown below:

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
AMOUNTS DUE FROM GROUP COMPANIES			
BANK OF AFRICA – RDC	5,082	5,455	5,010
BOA-FRANCE	755	3,199	-
BANK OF AFRICA – KENYA	72	45	3,764
BANK OF AFRICA – TANZANIA	8	7	90
BMCE BANK INTERNATIONAL	29	80	77
TOTAL	**5,946**	**8,786**	**8,941**
AMOUNTS DUE TO GROUP COMPANIES			
BANK OF AFRICA – MER ROUGE	7,599	5,496	12,458
BANK OF AFRICA – KENYA	-	-	80
BANK OF AFRICA – TANZANIA	2	4	66
BANK OF AFRICA – RDC	9	213	11
BMCE BANK INTERNATIONAL	5	4	4
TOTAL	**7,615**	**5,717**	**12,619**
INTEREST EXPENSE INCURRED	**14**	**116**	**58**
LOANS AND ADVANCES TO DIRECTORS			
AT START OF YEAR	457	28	-
INCREASE	-	429	28
REPAID DURING YEAR	(14)	-	-
TOTAL	**443**	**457**	**28**

Advances to customers include loans to Directors and loans to employees as follows:

- At 31 December 2013, advances to employees amounted to UShs 3,498 million (2012: UShs 4,247 million).
- At 31 December 2013, advances to Directors amounted to UShs 443 million (2012: UShs 457 million). These were given at the market rates.

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
INTEREST INCOME EARNED			
INTEREST INCOME EARNED ON ADVANCES TO EMPLOYEES	336	417	51
KEY MANAGEMENT COMPENSATION			
SALARIES AND SHORT-TERM BENEFITS	2,989	2,708	1,754
TERMINAL BENEFITS	85	79	44
TOTAL	**3,074**	**2,787**	**1,798**
DIRECTORS' REMUNERATION			
FEES FOR SERVICES AS DIRECTORS	551	473	195
OTHER EMOLUMENTS: SHORT-TERM BENEFITS (INCLUDED IN KEY MANAGEMENT COMPENSATION)	2,486	2,207	1,210
TOTAL	**3,037**	**2,680**	**1,405**
EXPENSES			
AFH-SERVICES	2,680	1,412	1,656

33. 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:

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
ACCEPTANCES AND LETTERS OF CREDIT	6,949	29,500	44,970
GUARANTEE AND PERFORMANCE BONDS	65,186	54,366	43,827
TOTAL	**72,135**	**83,866**	**88,797**

Non-trade contingent liabilities

There were outstanding legal proceedings against the Bank as at 31 December 2013 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 299 million (2012: USHS 1,400 million).

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:

	2013	2012	2011
	USHS MILLIONS	USHS MILLIONS	USHS MILLIONS
APPROVED ADVANCES NOT UTILIZED	19,744	13,212	13,328

ADDRESSES

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NANSANA BRANCH
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