Annual Report
& Financial Statements
2015

FINANCE trust BANK

Putting Women First

Finance Trust Bank Annual Report and Financial Statements for the year ended December 31 2015

Smart Home Loan
Affordable Housing. Better Life.

The **Smart Home Loan** is a low cost housing loan designed for low and medium income people who wish to improve their housing conditions by either constructing new homes or improving their current houses. The loan can be accessed by both individuals and group customers.

Benefits

- ☑ Grow your asset base
- ☑ Increase your revenue sources when you build rentals
- ☑ Improve your housing conditions
- ☑ Get financing for your housing project in phases
- ☑ Pay loan in small manageable instalments
- ☑ Individual borrowers can pay loan up to 5 years while group loan borrowers up to 2 years
- ☑ Affordable interest rate
- ☑ Build collateral for future loans

Head Office:
Block 6, Plot 121 & 115 Katwe. P.O.Box 6972. Tel: 0414 341275/255146
Customer Service: 0751 932900, 0711 932900, 0776 932900, 0701 932901
Email: contact@financetrust.co.ug

Licensed by Bank of Uganda **www.financetrust.co.ug**

FINANCE trust BANK

Putting Women First

Table of Contents

About Us

INSTITUTIONAL PROFILE, GOVERNANCE STRUCTURE AND STRATEGIC FOCUS 2012-2016

Background

Finance Trust Bank (FTB), a Tier 1 Financial institution was granted an operating license on 11th November 2013 taking over the business of Uganda Finance Trust Limited (MDI). Finance Trust Bank was first registered as an NGO in 1984 as "Uganda Women's Finance and Credit Trust Limited" which later changed its name to "Uganda Women's Finance Trust Limited" in 1997. On 12th October 2005, Uganda Women's Finance Trust Limited was licensed as a Microfinance Deposit taking Institution.

The bank offers a broad range of financial solutions, including loans, deposit accounts, money transfer services, utility bills collection and insurance services to small and medium income people companies, SMEs, institutions and net worthy individuals. Finance Trust bank is also active in trade finance and treasury services. With its headquarters in Katwe, Finance Trust Bank operates a network of 36 branches, including one at Kalangala Islands. 70% of the bank's branches are located in rural areas.

The Way we Work

At FTB, we believe everyone, especially women and youth, deserve the opportunity to access affordable financing to build and maximize their value creation activities. This is what gives meaning and value to our business, and to the working lives of our employees.

As a Business

As a business, we aim for excellence, and constantly challenge ourselves and our processes in search for the best solutions for our customers. This enables us to develop products that work for our customers.

We do business with integrity and place great value on honesty and clarity. We respect the laws of our country and adhere to good corporate governance practices; we maintain high standards in accounting and reporting; we deliver long-term, sustained shareholder value by protecting and making the most effective use of FTB assets. Friendliness defines our relationships with our customers and our stakeholders. We believe in equality for all and respond in equal measure to all our customers.

As an Employer

We value our employees. They are our greatest assets and it is our aim to make FTB a great place to work. Our employees are entitled to a safe and healthy working environment: one in which personal talent and merit are recognized, diversity is valued, privacy is respected, and the balance between professional and personal life is taken into account. We believe in offering our employees a stimulating environment, exciting personal opportunities and a chance to make a difference. We encourage an atmosphere of openness, courage, empathy and respect, so that all our employees feel free to come forward with their questions, ideas and concerns.

Our Vision

To be the preferred and affordable Microfinance Bank.

Our Mission

To provide customized financial services to low and medium income people especially women for poverty reduction with a focus on excellent customer experience and accessibility.

Our Core Values

Our core values reflect what is truly important to us as an organization:

Integrity

As a Company we stand by our personal principles of honesty and honor, and live by these principles as individuals, and as a team. Integrity supports our dedication to give honest service, both internally and externally, and upholds our exceptionally high standard of excellence and ethical conduct.

We demonstrate our integrity when we work with different members of our society, with honesty and respect for others, by honoring our commitments, accepting responsibility for our actions, being ethically unyielding and honest, and inspiring trust by saying what we mean and matching our behaviors to our words.

Friendliness

We build and maintain good relations amongst ourselves and with our customers. We work as a team, care for each other and respect one another. We deliberately cooperate and help each other to achieve both individual and team goals.

Equity

We are just, fair and impartial people that embrace diversity. We acknowledge our differences and see them as an advantage. We uphold justice, fairness and impartiality in our conduct and decision making. Our driving force is the desire to leverage equity with internal and external stakeholders and to be recognized as leaders in diversity and equity.

Responsiveness

We are responsive to the needs of customers in the most respectful, solution-oriented and helpful manner possible. We demonstrate responsiveness by taking the initiative to anticipate needs and being accountable for making sure that appropriate action is taken to resolve issues. We truly believe in the benefits of the services we offer by continuously designing and marketing products and services that make the lives of our employees and customers easier, more efficient and more profitable.

Our Customers

Finance Trust Bank serves micro, small and medium entrepreneurs, salary earners and youth, who are involved in a wide range of economic activities including;

- **Agriculture**
  This includes agricultural activities along the value chain (i.e. production, processing and marketing), including crop farming, animal rearing, poultry breeding and fish breeding, processing agricultural products, and marketing of agricultural produce

- **Services**
  Business service related activities e.g. restaurants and bars, beauty shops, schools, medical centres, pharmacies etc.

- **Trading**
  Including groceries, wholesaling and retailing of assorted merchandise, motor spares, clothing and textiles, timber, hardware, etc.

- **Manufacturing and Production**
  Including carpentry, tailoring and textile houses, bakeries, shoe factories, machinery, foodstuffs, beauty products etc.

- **Building and Construction**
  Including fabrication of building materials, and construction of housing and commercial establishments

- **Transport**
  Transportation activities and purchase of automotive devices – cars, boda bodas, trucks for personal and commercial use.

- **Renewable Energy**
  Clean energy for domestic and commercial purposes e.g. solar, biogas, etc.

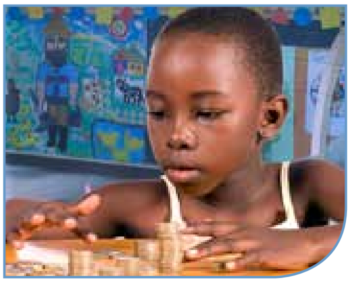
Our Services

Deposit Products

Trust Fixed Deposit Account

Girl's Choice Savings Account

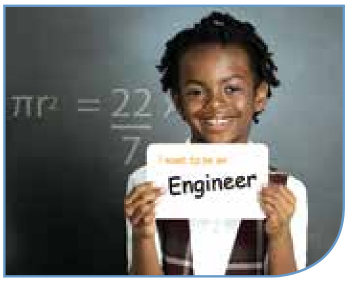
Trust Current Account



Trust Junior Savings Account

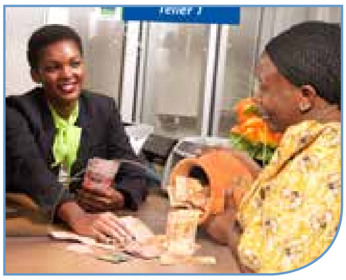
No Fee Deposit Account

Trust Savers Account



Teen Classic Savings Account

Youth Progress Savings Account



Mama's Safe Savings Account

Loan Products

Trust Business Loan

Trust School Fees Loan

Trust Agro Production Loan

Trust Personal Development Loan

Trust Salary Loan

Trust Agro Investment Loan

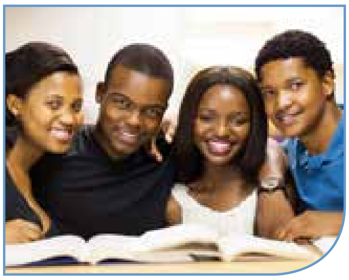
Trust Agro Processing Loan

Mama's Loan

Easy Advance Loan

Trust Asset Financing Loan

Trust Agro Marketing Loan



Trust Youth Solidarity Loan

Trust Bank Overdraft

Trust Bank Guarantee

Trust Youth Special Loan

Trust Group
Business Loan

Insurance Premium
Financing

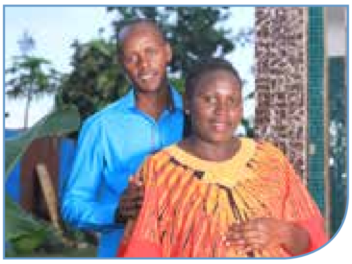
Women's Choice Products

Women's Business
Loan

Women's Group
Loan

Women's Agriculture
Loan

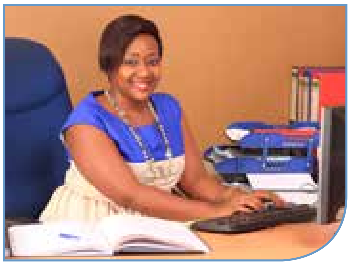
Women's Pension
Loan



Women's Health
Loan

Women's Renewable
Energy Loan

Women's Housing
Purchase Loan



Women's Salary
Loan

Women's Land
Purchase Loan

Women's Home
Improvement Loan

Micro-Insurance

- We extend loan insurance services to our borrowing customers. This service is indirectly provided through a licensed insurer.
- We provide affordable quality healthcare insurance to customers on the Mama's Safe accounts.

Other Services

We provide our customers with RTGS and EFT, plus many more value added services including:

Corporate Governance

Ownership and Capital Structure

Finance Trust Bank has a varied ownership structure comprising of international and local shareholding.

The Board of Directors

The Board of Directors is composed of highly committed persons with good expertise and a wealth of experience with a mix of local and international Directors. The Board meets quarterly and the Annual General Meeting is held once a year. The Board has 5 committees;

- Credit Committee;
- Assets and liabilities Committee;
- Risk Committee;
- Audit Committee;
- Compensation Committee.

The Board Credit Committee (BCC)

The BCC is composed of a chairperson and at least three non-executive members of the board. The Board Credit Committee is charged with assisting the board in monitoring the growth and quality of the credit portfolio and to ensure compliance with regulatory requirements. The Board Credit Commitee sits quarterly and is charged with the following responsibilities:

- Deliberate and consider loan applications beyond the discretionary limits of the management commitee;
- Review loans approved by the management commitee;
- Direct, monitor reviews and consider all issues that may materially impact on the present and future quality of the banks' credit risk management;
- Ensure that the credit policy and risk lending limits are reviewed at least on an annual basis and as and when the environment so dictates;
- Reports on the bank's compliance risk on credit matters, that is the risk of legal or regulatory sanctions, financial loss or damage to the reputation of the bank as a result of its failure to comply with guidelines and standards of good practice;
- Monitor management's compliance with all other regulatory requirements e.g. BOU Act, FIA Act, BOU PR, and circulars issued by BOU; and
- Appointing and appraising the performance of the Head of Internal Audit.

The Board Assets and Liabilities Committee (BALCO)

This is composed of a Chairperson and at least three Board members appointed by the Board. The Assets and Liabilities Committee meets quarterly and has the following responsibilities:

- Protecting the shareholders and depositor's value;
- Maintaining sufficient liquidity to cover cash flow requirements and invest idle cash;
- Maintaining an efficient balance of productive and non-productive assets, and an effective proportion of liabilities and equity for maximum profitability;
- To maintain sufficient capital to cushion against business risks; and
- To price the products in a manner that supports asset and liability management and maximizes Finance Trust Bank's earnings.

The Board Risk Committee (BRC)

The BRC ensures that the institution achieves its goals by ascertaining that it has adequate, effective and efficient systems of internal control and processes that are functioning to protect the institution's assets and minimize bank wide risks.

The BRC is comprised of a chairperson and three non-executive directors appointed by the Board. The Board ensures that every member appointed to the BRC is independent of current management and is free from any relationship that would interfere with his / her exercise of independent judgment. The committee meets on a quarterly basis and is charged with the duty of:

- Ensuring quality, integrity and reliability of the institution's overall risk management practices and helps the Board in execution of its duties in relation to corporate accountability and associated risks in terms of management, assurance and reporting;
- Reviewing and assessing the integrity of the risk control systems and ensuring that the institution's risk policies, procedures and strategies are effectively managed through reporting;
- Monitoring external developments relating to the practice of corporate accountability and reporting of specific risks, including emerging and prospective impact;
- Defining, monitoring and ascertaining the level of appetite for the institution in all its existing and prospective products and services; and
- The Committee reviews and provides independent objective oversight of the information presented by management, taking, account of risk concerns raised by management in the Audit Committee, Asset and Liability Committee meetings on financial, business and strategic risk.

The Board Audit Committee (BAC)

This is composed of a Chairperson (non-executive director) and at least three non-executive Directors appointed by the Annual General Meeting. Ultimately, Finance Trust Bank aims to ensure that at least one of the committee members has a sound financial/accounting background. The Audit committee meets quarterly and is charged with the responsibility of:

- Assuring credibility and transparency in the financial reporting process;
- Strengthening oversight of internal control and monitoring of operations;
- Assuring compliance with internal policy and all legal and regulatory requirements;
- Reviewing the effectiveness of the internal audit function and the External Auditor's proposed audit scope and approach; and
- Providing an open avenue of communication between internal audit, external audit and the Board of Directors.

The Board Compensation Committee (BCOMC)

This is composed of the Chairperson and at least three Board members. All the members on this committee are non-executive directors. The Committee meets quarterly and is charged with the responsibility of:

- Ensuring that the oversight function is effectively performed;
- Strengthening policy formulation and ensuring that Finance Trust Bank is effectively guided by adequate policy based on best practice, changing environment and the law;
- Ensuring ethical conduct, harmony and excellent performance of the management and staff;
- Formulating, reviewing upholding and entrenching the vision, mission, organizational values, philosophy and strategy in the whole organization; and
- Handles renumeration and welfare of all staff.

Board of Directors

Hon. Eng. Irene Muloni - CHAIRPERSON OF THE BOARD

Hon. Eng. Irene Muloni is the current Minister for Energy and Mineral Development in the Government of Uganda. Prior to this, she served as the Managing Director of Uganda Electricity Distribution Company Ltd (UEDCL) since April 2002. She graduated with an Honors degree in Electrical Engineering from Makerere University, Kampala, in 1986 and holds an MBA degree from Capella University, Minneapolis, Minnesota, USA (2004). She is a Certified Public-Private-Partnership Specialist, a Professional Balanced Scorecard Practitioner; and a Corporate Member of the Uganda Institution of Professional Engineers.

She also serves on voluntary basis in both Governmental and Non-Governmental Organizations; as a member to the 1st Science & Technology Advisory Group to the United Nations Economic Commission for Africa (UNECA); and a member to the Technical Committee of the Uganda Millennium Science Initiative (MSI) a World Bank Project, managed by the Uganda National Council for promoting Science & Technology (UNCST).

Irene was recently appointed to serve on the Board of Uganda Industrial Research Institute (UIRI) and the Board of Makerere University Private Sector Forum (MUPSF). She is also the Chairperson of the Board of Governors of a rural girls' school; Tunyi Girls' Secondary School. Previously, she served as Board Member for the Civil Aviation Authority of Uganda, Kilembe Mines Limited; and Uganda Polytechnic Kyambogo, now Kyambogo University. On a regional basis, she served as Vice- Chairperson for the East African Sub-Region of the African Women's Development and Communication Network (FEMNET), and Senior Fellow for the Africa Region of the Gender Advisory Board (GAB) to the UNCSTD. Irene was the Winner of the "Sarah Ntiiro Award" 2003; a recognition as a "Model of excellence" by the Forum for Africa Women Educationists (FAWE).

She is an advocate for gender equality, women's empowerment and utilization of science and technology for sustainable development.

Annet Nakawunde Mulindwa - MANAGING DIRECTOR

The Managing Director of Finance Trust Bank, Mrs. Annet Nakawunde Mulindwa is a banker by profession with over 14 years' practical experience in Banking and Microfinance. Previously she has worked in various capacities, at Finance Trust Bank as Head of Operations, and Operations & Compliance Manager. Prior to Finance Trust Bank, Annet held various key positions at Pride Microfinance and Nile Bank Ltd.

Mrs. Mulindwa holds a Masters in Business Administration majoring in Finance, a postgraduate diploma in Financial management and an honors degree in BA (Arts), She has also attended a number of trainings including Harvard Business School's Strategic Leadership in inclusive Finance, the Advanced Leadership training in Wharton Business School, University of Pennsylvania in USA, Coaching Program for Mission, Leadership and Performance By CREATIVE METIER , Oxford , England, Women in leadership by WOMEN'S WORLD BANKING CENTER FOR MICROFINANCE LEADERSHIP, New York where she got the Financial Woman's Association's Women in Leadership Award for 2008, Balance score card training and Basic banking by Institute of Bankers.

She is passionate about women and youth empowerment, as well as ensuring best practice in banking and microfinance and creating value for customers. She is result oriented and an excellent team player with strong leadership qualities.

Dennis Kakeeto - EXECUTIVE DIRECTOR

Dennis holds a Master's degree in Business Administration majoring in Finance & Accounting, and a Bachelor of Commerce degree in Accounting from Makerere University, currently enrolled for a Chartered Financial Analyst course (USA). Dennis has over 16 years' experience in Finance and Banking, having held various positions in Commercial Banks and Microfinance Institutions.

He served as the Head of Finance and Administration Uganda Finance Trust, served at Centenary Bank in Branch banking operations, Finance and Treasury, left at the level of Principal Accountant. He also served as Assistant Finance Manager, Diamond Trust Bank Uganda and as Chief Finance Officer, Pearl Microfinance Limited formerly Feed The Children Uganda.

He is a member of the Uganda Institute of Bankers, Institute of Corporate Governance of Uganda and a certified balanced score card practitioner. He has attended a leadership and diversity for innovation program at Wharton Business School, University of Pennsylvania in USA, Coaching programs for mission, leadership and performance by CREATIVE MENTIER, OXFORD England, under the women in leadership by WOMENS WORLD BANKING CENTRE FOR MICROFINANCE LEADERSHIP, New York and also attended a one year CEO Apprenticeship Program at STRATHMORE UNIVERSITY, Nairobi.

Grace Aliakai - DIRECTOR

Grace Aliakai received a Masters degree in Electronics & Electrical Engineering from Loughborough University in 1998. Mrs. Aliakai worked for a few months at Computer Point and then moved on to MTN Uganda in 1999 where she worked for nearly 8 years. At MTN she served in a number of positions including Principal Planning Engineer - Strategic Technologies, where she was in charge of the strategic planning, setup and maintenance of international roaming and interconnection of local and international networks. Mrs. Aliakai joined Warid Telecom in 2007 where she served as Manager Core Network Strategic Planning before becoming the Head of Carrier Business which position she held to 2010. Mrs. Aliakai is currently working at ATX Technology, an entrepreneurial business with the main focus on Finance.

Mrs. Aliakai is a director at a Ugandan NGO, Mentoring and Empowerment Program for young Women (MEMPROW). She is also a long standing member of the Uganda Women's Trust. Mrs. Aliakai recently joined the Board of Directors of Finance Trust Bank.

Lydia Koros - DIRECTOR

Lydia Koros is a co-founder and Managing Partner at Progression Capital Africa Ltd (PCAL). Prior to setting up PCAL she managed the establishment of a niche MFI focusing on the agriculture value chain in rural Kenya. Prior to this Lydia served as the Managing Director of Faulu Kenya Ltd, a Deposit Taking Microfinance institution, from Aug '05 until Mar '10. Under her leadership, Faulu became the first MFI to be licensed by the Central Bank of Kenya as a DTM.

She was instrumental in spearheading the M-Pesa mobile money transfer system pilot in Faulu Kenya and its utilization by Kenyan MFIs. She has served as the Chairperson of the Association of MFIs in Kenya, chaired the task force set up by AMFI to lobby for the passing of the Micro Finance Act and Regulations for Deposit-Taking MFIs as law. She successfully organized and chaired the Africa and Middle East Microcredit Summit held in Nairobi in April '10. Prior to entering the MFI sector, Lydia worked in Kenya Commercial Bank for over 18yrs in various capacities in the corporate and retail divisions of the Bank, including Head of Corporate Banking.

Lydia obtained her Bachelor of Commerce degree and an MBA degree in Strategic Management both from the University of Nairobi. She is an alumnus of both the Strathmore and the IESE Business schools.

Loïc de Cannière - DIRECTOR

Loïc De Cannière joined Incofin Investment Management as CEO in 2001.

He successfully restructured and grew the fund management company into one of the largest microfinance and impact investment fund management companies, with a very strong focus on balancing financial and social returns. Today, Incofin IM manages combined total assets of 500 M USD. Incofin IM's flagship funds are Rural Impulse Fund I & II, which are focusing on investments in rural microfinance institutions. Incofin IM's investor base comprises large private institutional investors and development finance institutions. Incofin IM has a team of 36 dedicated professionals and has offices in Belgium (Antwerp), Colombia (Bogota), India (Chennai) and Kenya (Nairobi).

Recently, Incofin IM launched "Fairtrade Access Fund", an impact investment fund providing finance to Fairtrade labelled producers organisations worldwide.

He actively promotes the inclusion of social performance parameters into microfinance and impact investments, by participating in the PIIF Steering Committee and by adhering to other initiatives, such as the Social Performance Task Force.

Before he joined Incofin, Loïc De Cannière was responsible for structured finance at the DEME Group, where he structured large port and environmental projects in Tunisia, Ghana, Nigeria, Qatar, India, Bangladesh and Taiwan. Loïc De Cannière studied economics and philosophy at the Universities of Louvain (Belgium) and Munich (Germany).

Jean-Louis de Montesquiou - DIRECTOR

Jean-Louis' career started at Banque de L'Union Européenne in Paris, then with JP Morgan in New York, Paris and London, where he co-headed the Department of International Loan Syndications. He then ran the corporate finance and banking unit of Union Bank of Switzerland in France. In 1998 he set up the French branch of UBS, which he built up to a size of 400 employees. From 2004 to 2008, as Vice-Chairman of UBS Wealth Management, he ran a program of acquisitions of European Private Banks before being involved as senior adviser in the UBS Philanthropy Department.

He obtained a Master in International and European Law and a Master in History from Paris Sorbonne University in 1975. He also holds several directorships in financial institutions, including Fides Bank Namibia, and is a board member of several charitable institutions, including EORTC and the American Library in Paris. He is also a contributor to a few magazines as well as a town councilor in Mauvezin, France.

Rtd. Justice Mary Maitum - DIRECTOR

Rtd. Justice Maitum is a qualified Barrister at Law. She was admitted as an Advocate at the High Court of Uganda. She served in various professional capacities as State Attorney, Corporation Secretary, Law Lecturer, Judge of the High Court of Uganda before she retired.

She acquired vast experience in corporate and institutional governance by virtue of having been a member of several governing boards including; Makerere University Council, Federation of Uganda Women Lawyers (FIDA), Statutory Commissions, Uganda Judges and Magistrates Association, National Association of Women Judges, Common Wealth Magistrates & Judges Association.

Lydia Ochieng - Obbo - DIRECTOR

Lydia Ochieng-Obbo is an Attorney at Law. She is a senior member of the legal profession in Uganda and consultant with broad experience in business law practice, banking, private sector institutional building and development policy research, advocacy and regulatory reform.

She is also well versed with supervision and regulation of financial institutions and serves on a number of other boards including the board of Public Procurement and Disposal of Public Assets.

Tor G. Gull - DIRECTOR

Mr. Tor G. Gull is a Director of Uganda Finance Trust Bank. He has served on a number of boards in Finland and has wide experience in banking and credit institution management. He has worked with Development projects Kenya and Tanzania as well as in South East Asia and China. He has served on a number of Boards in Finland and is currently the Managing Director of Oikocredit Development Finance Institution, Amersfoort Netherlands. He represents Oikocredit on the Board of Finance Trust Bank.

Andrej Machacek - DIRECTOR - ALTERNATE

Prior to setting up Progression Capital Africa, Andrej Machacek worked as an Investment Manager at Grassroots Capital, managing the US$120m Global Microfinance Equity Fund since 2008. Andrej was a member of the investment committee and the board of the AfriCap Microfinance Investment Company during AfriCap's transition period between May '10 and Mar '11.

Before this, Andrej spent 2 years at a venture capital incubator firm, assisting entrepreneurs in refining their business models and in helping them achieve commercial scale. As a Vice President in Deutsche Bank's Global Markets division, Andrej spent 5 years working with the bank's Capital Markets, Leveraged Finance, Financial Sponsors and Mergers & Acquisitions departments, providing the bank's clients with traditional as well as structured equity and debt funding solutions through public as well as private capital markets and advising corporates on how to manage their foreign exchange, interest rate, commodity price and other balance sheet and P&L risk exposures.

Andrej obtained his Bachelor of Arts degree in Economics and Management from Balliol College, Oxford and an MBA from Harvard Business School. He is an Open Society Foundation and Dulverton Trust scholar.

Jeremy Hadjenberg - DIRECTOR - ALTERNATE

Mr. Jeremy Hajdenberg, born in 1975, an Investment Officer in Investor & Partner for Development (I&P), a social investment company dedicated to developing countries, especially in Africa, with a vocation to invest in micro- finance institutions and in medium size companies in partnership with their promoters and their management. Its available equity is €19 million in 2007.

David Senoga - DIRECTOR - ALTERNATE

David Ssenoga has 27 years' experience in banking, Microfinance, auditing and financial reporting. He holds a Master's of Science Degree in Finance and Accounting, and a Bachelor's Degree in Commerce, of Makerere University- Kampala. He holds a CPA and is an active member of ICPA (U) and is the appointed auditor of the Institute of Certified Public Accountants of Uganda (ICPAU). He also serves on Makerere University Retirement Benefits Scheme Trustee Board as the Chairperson of the Scheme's Audit Committee. Currently he is a practitioner at SDS & Company Certified Public Accountant. Previously he practiced at partner level at Kisaka &Company Certified Public Accountants for 10 years.

Patricia Kemirembe Katende - COMPANY SECRETARY / HEAD, LEGAL

Patricia Kemirembe Katende has 10 years of professional experience in law and in-house legal counsel services. She is a Charted Corporation Secretary, a member of the Institute of Chartered Secretaries and Administrators (ICSA) UK, a holder of an honors Bachelor's Degree in Law from Makerere University a post graduate diploma in legal practice from the Law Development Centre, Kampala. Patricia is an enrolled Advocate of the High court and all courts subordinate to it. She holds a valid Law practicing certificate. Patricia is a member of the following professional bodies; The East African Law Society, The Uganda Law Society, The Institute of Corporate Governance of Uganda, ICSA Uganda Chapter and ICSA International. She has also attended various professional trainings in continuous legal profession development and in Corporate Governance.

Patricia has worked with Uganda Microfinance Limited and Centenary Bank at senior levels. She is a good team player and passionate about law and banking.

Senior Management

Annet Nakawunde Mulindwa
MANAGING DIRECTOR

Dennis Kakeeto
EXECUTIVE DIRECTOR

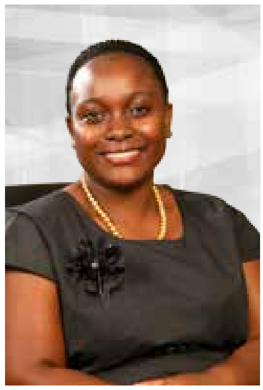
Patricia Kemirembe Katende
COMPANY SECRETARY/ HEAD, LEGAL

Ruth Doreen Mutebe
HEAD, INTERNAL AUDIT

Rachel Nantongo
HEAD, OPERATIONS

Clare Tumwesigye
HEAD, MARKETING

Stella Naigulu
HEAD, HUMAN RESOURCE

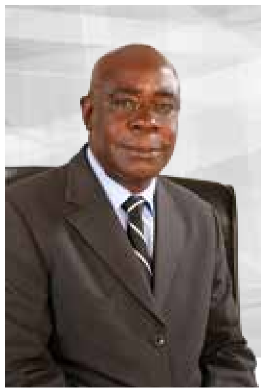


Christine Namata
HEAD, FINANCE

Mwanje Charles Mark
HEAD, RISK

Anthony Gumira
HEAD, CREDIT

George Musaanya
HEAD, ICT



Evarest Nsereko Kyewalabye
COMPLIANCE MANAGER

Trust SACCO Finance

Enables SACCOs to fulfil their potential

Trust SACCO Loan

The Trust SACCO loan is designed for all registered SACCOs and Village Savings and Loan Associations (VSLAs) who wish to borrow to fund their lending operations.

Benefits

- ☑ Grow your loan book
- ☑ Pay back loan in small manageable instalments
- ☑ Monthly and quarterly repayments allowed
- ☑ Pay loan up to 5 years
- ☑ Reliable source of funds to meet SACCO/VSLA members funding needs

Trust SACCO Savings account

The Trust SACCO savings account is designed for SACCOs and Village Savings and Loan Associations (VSLAs) who wish to have a safe place to keep their money and access their accounts at any Finance Trust Bank branches countrywide.

Benefits

- ☑ Easy access to funds
- ☑ Safe place to keep SACCO funds
- ☑ One free statement per month
- ☑ SACCO can appoint agents
- ☑ Access to SACCO loans

Head Office:
Block 6, Plot 121 & 115 Katwe. P.O.Box 6972. Tel: 0414 341275/255146
Customer Service: 0751 932900, 0711 932900, 0776 932900, 0701 932901
Email: contact@financetrust.co.ug

Licensed by Bank of Uganda **www.financetrust.co.ug**

FINANCE trust BANK

Putting Women First

Sustainability Report

Finance Trust Bank transformed into a commercial bank in November 2013 in order to increase our product offering and improve our earning capacity through introduction of new products as well as services and grow our portfolio in the SME category.

Since transformation, Finance Trust Bank has increased its locations to 36. In 2015, Finance Trust Bank opened 2 branches at Kijura and Gomba with the support of Rural Challenge Fund and aBi Trust respectively. Through the multiple branches, Finance Trust bank seeks to meet the financial needs of its customers, help in poverty reduction, and financial inclusion. The new branch in Kijura – located in the tea estates of Kabarole was opened to increase financial inclusion for previously underserved communities in the area. Finance Trust Bank is the first bank to open a branch in Gomba district. People of Gomba previously accessed financial services from Mityana, Kayabwe, Mpigi which was raising the cost of the financial services. Finance Trust Bank, through its product and service offering, has greatly reduced the cost of access to formal financial services.

Finance Trust Bank also opened an ATM service centre on Kalangala islands in addition to the branch. The service centre was established to enable the OPUL/BIDCO staff access their salaries and other services in a much easier and faster way. OPUL/BIDCO offices are located in Bwendero which is 25km from Kalangala town and accessing the branch was expensive. The opening of the service centre was need based and a responsive gesture by the bank to enable both our customers and non-customers on the Interswitch network access their funds.

At Finance Trust Bank we understand that partnerships are important for the smooth running of business. We work together with government and other parastatals to verify documents and ensure compliance to the laws of the land among others. In light of that, Finance Trust Bank partnered with Buganda Land Board to enable customers perfect their security. Through this partnership, our customers who pledge land sales agreements for loans can access a

Kyapa loan to enable them formalise their tenancy with Buganda Kingdom and acquire titles for their land. This formalisation and acquisition of BLB titles increases the value of the land and this enables clients to access more funding.

In 2015, Finance Trust Bank announced its partnership with Uganda Revenue Authority. In this partnership, Finance Trust Bank was added to the banks through which URA collections are made. This avails URA with 36 new collection centres at which taxes can be paid. This means greater access for all taxpayers in Uganda.

Finance Trust Bank enhanced its SimuYo BankYo mobile banking service with the Push/ Pull facility in which our customers can draw money from their bank accounts and credit their mobile money accounts or deposit to their bank account from their mobile money with their phones. All this can be done without accessing a branch premise and is done in partnership with MTN Uganda and Airtel. Again this enhancement serves the purpose of increasing financial inclusion for low income people.

Finance Trust Bank has positioned itself as a bank that Puts Women First through the design of more women products that serve the various needs of women. Women now can access a loan at a subsidised rate for land purchase, health insurance, agriculture, home improvement, land purchase, house purchase. Women pensioners now have a Women's pension loan. Our female customers can also access our Women in business loan, or access a loan as a group. This has increased our product offering to women but also is an opportunity for women to grow their assets.

Finance Trust Bank is committed to reducing poverty through provision of affordable products and services to its target customers as well as assisting other partners like URA, Umeme, National Water, increase their collections for better service provision.

Corporate Social Responsibility

At Finance Trust Bank, we identify with the communities in which we operate and continually support them in improvement of their livelihoods and general wellbeing. Our employees are engaged both emotionally and tangibly in the Bank's CSR's initiative which is why they participate remotely for effectiveness.

Gift of Life - Rotary club of Kampala South

Finance Trust Bank joined other corporate organisations in a fundraising dinner organised by Rotary Club of Kampala South to collect money in support of the Uganda Heart Institute. Through the Gift of Life (GOL) initiative, 8 children have received open heart surgery.

Athletics and Sports – Carol Migadde

In light of Putting Women First, Finance Trust Bank sponsored Ms Carol Migadde for a marathon in Mendes, France in July 2015. Carol Migadde, also the MTN Marathon Women champion for 2014, is an upcoming long distance runner and Finance Trust Bank in the spirit of talent development for

The FTB MD Anne Mulindwa hands over a cheque of 5million to Carol Migadde

Carol Migadde at Entebbe Airport as she returns from France

women sponsored her. At Finance Trust Bank we believe that supporting Carol Migadde has two main benefits. She will not only spur to greatness and personal development, but also inspire many other young women to fulfill their dreams. That is why supporting women to achieve success is important to us.

People and Talent – Gomba District Inter-school sports competitions

Finance Trust Bank donated trophies and sponsored the interschool sports competitions of Gomba District. We value all our stakeholders and we value the enhancement of sports and talent of children. We are nurturing young talent who also are our customers.

People and Religion – Gomba District Eid celebrations

Finance Trust Bank values all its stakeholders irrespective of their religious beliefs and that is why we provided food for the district Eid Celebrations. Our contribution enabled Gomba district host its various stakeholders to lunch and we strongly believe that this initiative created shared value for both the Bank and the Gomba community. In these celebrations, people of Gomba come together for this religious ceremony and this is done every year.

Women's day Wellness Check

As part of our Women's day celebrations, Finance Trust Bank organised a well check in partnership with UAP for both our customers and non- customers. The Wellness check attracted over 300 men and women around the Owino market and Kitintale market.

Why we care about employee skill development, and how we encourage it

Finance Trust Bank wants a workforce of employees who are skilled, smart, and knowledgeable. In addition to the induction training, skills development is an activity that continues to cover the entirety of an employee's tenure with the company. Our philosophy is that at recruitment we believe we have acquired a good resource/asset that should be well maintained and nurtured if we are to ensure a continuous return to investment.

Keeping on top of ongoing development training has yielded important benefits not just for the Bank, but for our employees as well.

Why we continue building staff Capacity though training

One of the biggest benefits of development training programs is that it has helped improve employee retention rates by dialing into one of the major desire of the workforce—the chance to develop and improve. Opportunities for career growth and development, and challenging job assignments and are among the top reasons staff stay with the Bank.

Good training practices have not only ensured the Bank employs the most competent and best-prepared staff for any given situation, but it's has also been good for the individuals who are doing the learning. It has provided employees with a sense of personal satisfaction.

Classroom trainings, mentorships, on-job training, program sponsorship, performance improvement programs are some of the capacity building activities initiated to ensure the staff know their job roles and expectations, stay abreast with ongoing trends and acquire information necessary to perform their job. Training has enhanced their creativity and through this they have set a bar for the Bank to be differentiated in the market.

We believe that capacity building dissolves differences and irons out inequalities hence leading to self-motivation and self-initiation to perform the jobs.

Encouraging personal development

The Bank allows employees to self-manage their own training outside of the workplace. This has been enabled through allowing flexible annual leave time each year to staff, for them to devote to training and development, as well as providing them with staff loans for purposes of further studies. Through these initiatives the staff have acquired higher skills in a way that boosts job performance and a sense of personal satisfaction.

Consolidating the New Platform (BR.NET) Gains emanating from Value Additions

Finance Trust Bank is currently using 'Banker's Realm' (BR.Net) as our core banking platform having migrated to the new system in February, 2013. It's a Web-Based application and highly modular. BR.Net boosts of a number of unique features that we've capitalized-on to serve our clients better as highlighted below:-

- ***Finger Print Authentication System:*** - Allows use of biometric-enabled devices for authentication, leading to fast and accurate posting of transactions, thus limiting the margin for fraud.
- ***Mobile Commerce Module & Platform:*** - this has eased integration to the core banking application which enabled FTB customers and walk-in customers to access financial services right in the palm of their hand using mobile devices e.g. Financial Payments, Loans etc...
- ***Platform Independence & Ease of Integration:*** - the platform is capable of handling multiple delivery/3rd Party channels like Utility Interfaces Finance Trust Bank is collecting for NW&SC, UMEME, URA, NSSF and KCCA, Mobile Money Integration, ATMs, POS, SMS Banking and Remote Account Opening (RAO). Currently, we're utilizing all these avenues and delivery channels to reach out to our existing customers, the un-banked and the under-banked.

Finance Trust Bank continues to consolidate the gains from the implemented BR.Net platform using innovative ways to deliver business value, by creating competitive advantage, optimizing business processes and foster closer system integration/collaboration of all possible vendor solutions and modules within BR.Net.

In return FTB has offered additional confidence to our customers in a number of aspects as follows:-

1. Fast and accurate transaction posting via Biometric Account Access & Verification
2. Unlimited access to Over-The-Counter financial services 24/7 from the comfort of homes/offices via Mobile Devices
3. Access to financial services via multiple delivery channels like ATMs, POS, mobile phones, SMS alerts and Internet banking.
4. Customer data is secure due to high data encryption standards employed and increased system up-time due to redundancy mechanisms put in place emanating from the duo links deployed at all our branches.
5. Easy processing of services, thus improving customer service efficiency and turnaround time (TAT).

Chairperson's Statement

Dear Shareholders,

On behalf of the Board of Directors, It gives me great pleasure to present to you, the annual report for Finance Trust Bank for the year ended 31st Dec 2015. 2015 was a challenging year, we witnessed not only continuing stress in the global economy but also impact of a number of market and regulatory dynamics in our operating environment. I am glad to announce that the bank remained profitable and was able to withstand the unfavourable macro-economic conditions.

Operating Environment

The International Monetary Fund estimated 2015 global growth at 3.1%, down from 3.7% in 2014. There was sustained reduction in the international crude oil prices, the year witnessed a decline in major commodity prices, which most African economies trade in. In addition to a low commodity price environment, there were heightened security concerns in the region, occasioned by terrorist attacks which impacted on international trade and the financial markets.

In Uganda, consumer demand for the year fell by an estimated 3.5% which led to a decline in economic activity. Annual headline inflation for the year went up to 8.4% an increase from the 2014 figure of 1.8% majorly driven by the volatility in the exchange rate regime with the Ugandan shilling depreciating against the US dollar for most of the year trading at USD/UGX 3,375 at close of 2015 up from USD/UGX 2,275 in 2014. The Central bank responded by increasing the central bank rate from 11% in 2014 to 17% by close of year 2015. Consequently most banks increased their lending rates leading to a decline in the private sector credit. Treasury bill rates were on a steady rise throughout the year averaging 22% at end of the year 2015 up from 13.1% in 2014; this in effect affected the cost of funding as much as this increased the banks return on short term investments. The financial sector remained relatively liquid but experienced significant growth in the none performing assets especially in the agricultural, building and construction sectors which mainly resulted from falling commodity prices, low consumer demand, delayed payment of contractors by government and uncertainty arising from the political environment.

Technology

In terms of technology we are witnessing emerging economies embracing the digital era. A new economy based on mobile devices is emerging with East Africa (Kenya) taking the lead in digital financing. At Finance Trust Bank, we will continue to work in a manner that embraces new technology to deliver innovative products and services to our customers. The Bank has embraced technology in order to lower operating expenses, reach out to more customers, attain scale and influence customer experience, product enhancement, and collaborative innovation.

Financial performance

Despite the backdrop of a challenging year, the bank registered good results for the financial year ended 31 December 2015. The bank recorded 45billion in gross revenue representing a 20% growth year-on-year. This was achieved in spite of tight liquidity in the Ugandan market. The bank managed its cost through the year, thus preserving bottom-line earnings to deliver a profit after tax of shs 2.1billion, this translated in a 4% growth over the 2014 performance.

Total assets grew by 24% mainly funded by the growth in customer deposits of 11.4% and 6% growth in shareholders' funds due to improvement in profitability. Net Loans and advances grew by 26.7% due to increase in the product offering, increased mobilization efforts by staff, better customer service and improved turnaround time.

Community Engagement

At Finance Trust Bank, we believe that businesses are not only motivated by profit, but appreciate the need to give back to society for social returns. The Bank delivered on this strategy through three main areas, health, sports and education. The bank believes that the future of the nation is the youth and takes part in activities that develop the youth.

Women are at the very center of our being as such, as part of the women's day celebrations for 2015, the bank together with Insurance partners (UAP) organized health wellness checkups for women customers in Kampala.

Outlook for 2016

We look forward to the continued global economic recovery, increased product and services offering to our current and future clients, optimization of the oil in Western Uganda and increased trade in the East African region. The bank will continue to make the most of its assets especially the people and investment in technology and also continues to be well positioned to tap into the women and youth segment.

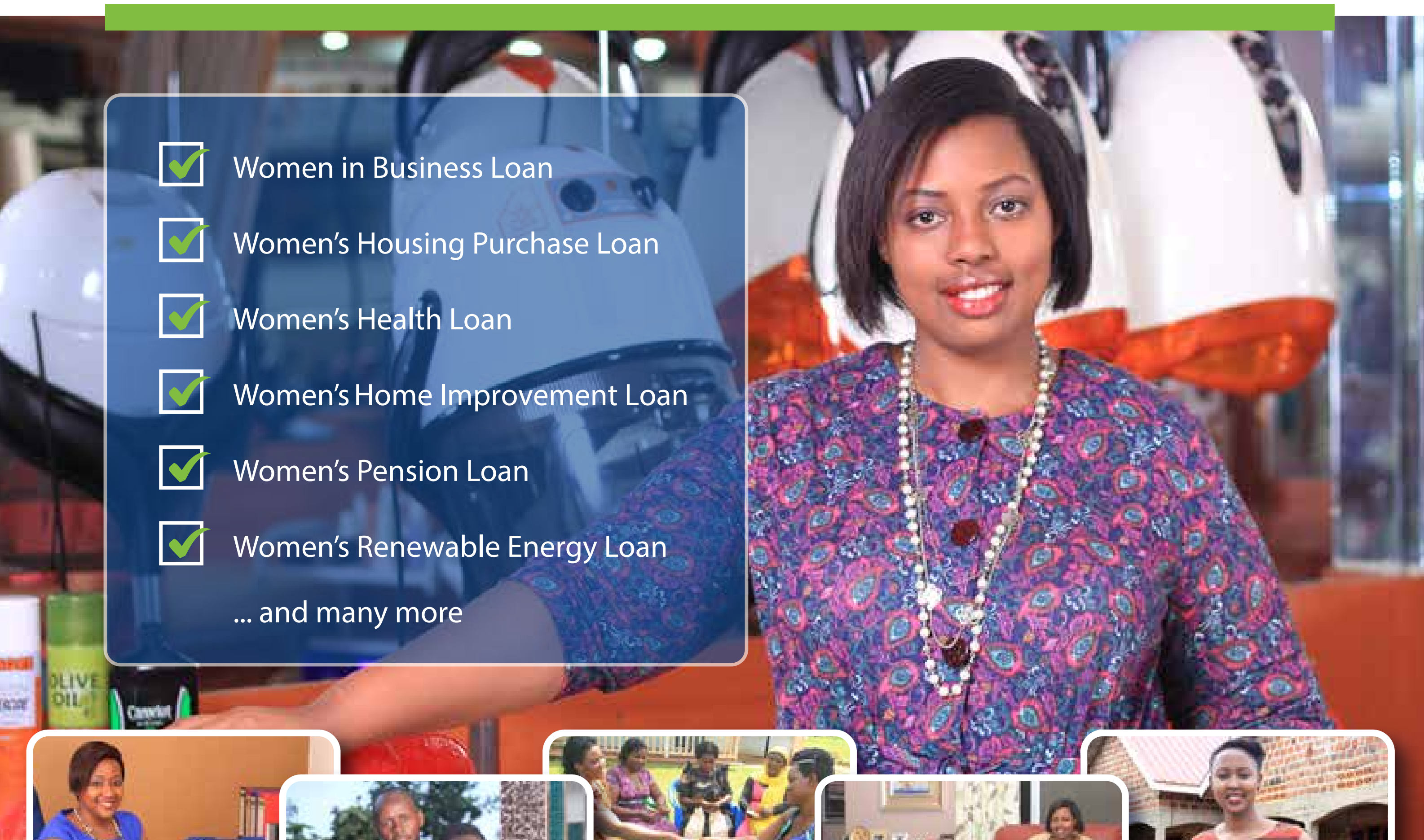
Appreciation

The collaborative effort of our supportive shareholders and hardworking and dedicated staff has continued to ensure that we deliver results. I would like to salute our loyal customers for giving us the opportunity to serve them. Appreciation must also be extended to members of the board and the senior management team, whose tenacity and leadership ensure that we continue to live up to our expectations and deliver on our mission.

Thank you

Hon. Eng. Irene Muloni
CHAIRPERSON, BOARD OF DIRECTORS

Finance Trust Bank. A women's bank that takes pride in providing women with a choice of financial solutions to empower themselves.



Come for our range of products and services tailored for different women in their various stages of financial empowerment. Enjoy the **Women's Choice** range of women-focused products that come with ***low interest on loans*** and ***high interest on savings***.

Women's Choice PRODUCTS

Financial Solutions for Women

FINANCE trust BANK

Putting Women First

Head Office:
Block 6, Plot 121 & 115 Katwe, P. O. Box 6972, Kampala. **Tel:** 0414 341275/255146
Email: contact@financetrust.co.ug, **www.financetrust.co.ug**

Licenced by Bank of Uganda A1.028

www.financetrust.co.ug

Managing Director's Statement

Dear Esteemed Shareholders,

The year 2015 is the second year of our operation as a commercial bank; the bank has continued to register consistent and steady growth in the key performance parameters amidst a challenging macro-economic environment characterized by high interest rates, slow growth and a volatile liquidity market.

The banks total assets grew by 24% to shs 151billion in 2015 from shs 121.8billion in 2014, this was funded by a growth in customer deposits of 11% to shs 78.4billion and funds due to other institutions of shs 10billion, increase in borrowed funds by shs 16billion and growth in shareholders' funds of 6% to shs 34.7billion from shs 32.7billion as at close of year 2014.

Loans and advances grew by 27% to shs 99.4billion from shs 78.4billion in 2014. Investments went up to shs 15.3billion from shs 8.9billion in 2014.

Net income grew by 17% from shs 32.6billion in 2014 to shs 38.3billion in 2015, while operating expenses grew by 15% to shs 35.8billion in 2015 from shs 31.1billion in 2014 resulting in the bottom line profit after tax of shs 2.1billion.

Number of borrowers grew by 2.8% to 28424 up from 27636 in 2014. The number of savers reached 353452 from 300895 in 2014. The staff strength went up to 610 from 545 in 2014; this was in line with the growth in the operating capacity of the bank.

Product Offering

To bank developed and piloted new products that are intended to address more financial needs of our current and potential customers. These included low-cost housing, Sacco loan, Sacco savings and women choice products. These are to be added to the list of products offered and shall be rolled out across our branch network in the year 2016.

Outreach

The bank had a network of 36 branches, and is a member of the interswitch; this gives our customer's access to over 100 ATM's for member banks. With support from the Rural Challenge Fund, the bank was able to add 3 offsite ATMs to its switch; these are to be deployed in the unbanked areas of Kijura, Mabaale in Kabarole district and Gomba Maddu. The bank also invested in a mobile banking van to reach out to more unbanked areas.

Embracing Technology

Finance Trust Bank has continued to pursue innovation, driven by the desire to reach as many low income earners in line with its mission. During the year, the bank launched the pull and push service branded SimuYo BankYo mobile banking platform in partnership with MTN and Airtel. This enables our customer's access their accounts 24-7 using their mobile phones without coming to the banking halls thus making the service convenient and accessible.

We also built an interface and launched payments for KCCA and NSSF to ease collections. The bank now has all utility services payable across the counters and through the use of the mobile banking platform. The bank also invested in an Internet banking platform to improve customer experience and provide value-added solutions to the corporate and institutional customers.

2016 Outlook

The bank will continue to be driven by the three pillars of excellence i.e. operational excellence, excellent customer experience and growth. We shall remain customer centric; increase our focus on leveraging technology to deliver innovative products and services in a convenient & controlled environment in an efficient and sustainable manner. The bank will aim at creating value to our customers, shareholders and other stake holders while remaining compliant to the regulatory requirements, internal policies and the relevant laws of the land.

Conclusion

I would like to re-emphasize our commitment to growth of the bank. We are committed to executing our strategic plans, driven by relentless execution. On behalf of management and the entire staff, I wish to appreciate all our stakeholders and confidently look forward to a successful 2016.

Anne Mulindwa Nakawunde
MANAGING DIRECTOR

Achieve your business goals with the
Trust Asset Financing Loan

New and existing Finance Trust Bank customers, individuals and organizations, who wish to access financing for movable income generating assets valued at 3 million shillings and above.

Benefits

- ☑ Enabling Finance Trust Bank customers to acquire movable income generating assets valued at affordable interest rates.
- ☑ The asset should clearly be identifiable, movable, durable and insurable e.g. Vehicles/Motorcycles – Commercial only
- ☑ Plant and machinery - manufacturing, processing plants, etc.
- ☑ Equipment - printing machines, factory plants, office equipment, professional equipment etc.
- ☑ Yellow metal-bulldozers, front and loaders, graders etc.

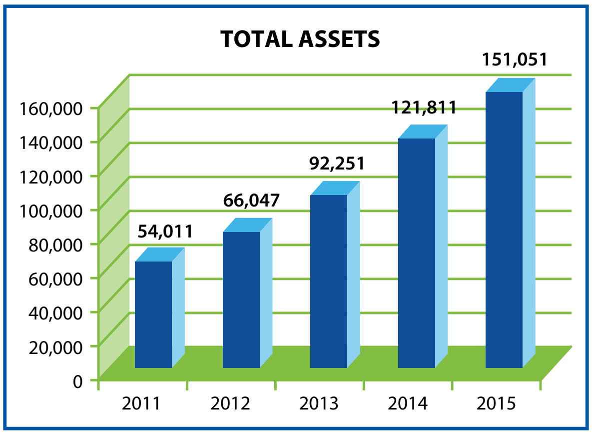
Head Office:
Block 6, Plot 121 & 115 Katwe. P.O.Box 6972. Tel: 0414 341275/255146
Customer Service: 0751 932900, 0711 932900, 0776 932900, 0701 932901
Email: contact@financetrust.co.ug

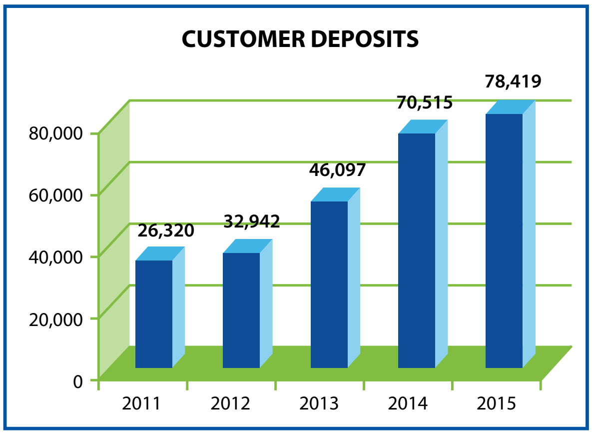
Licensed by Bank of Uganda **www.financetrust.co.ug**

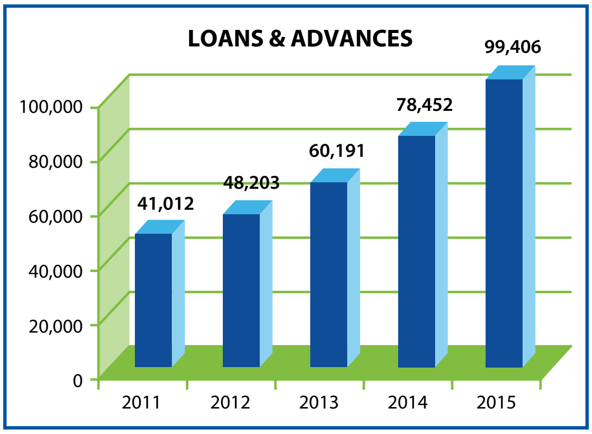
FINANCE trust BANK

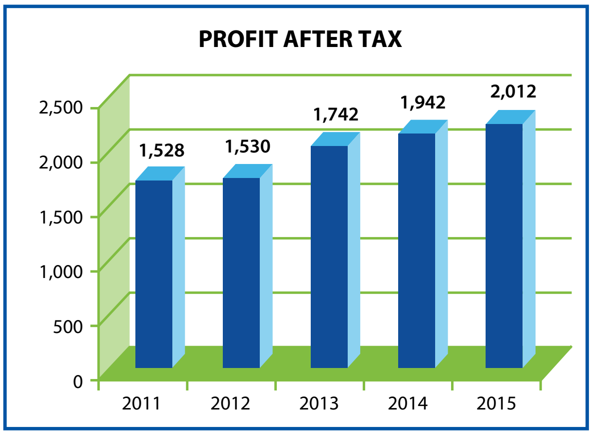
Putting Women First

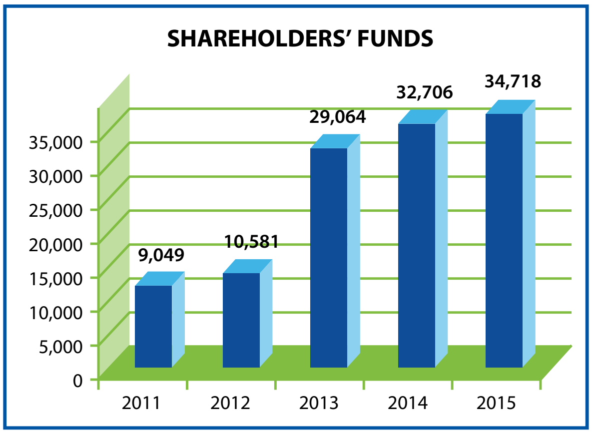
Highlights of financial performance











Financials Table of Contents

Corporate Information

Registered office

FINANCE TRUST BANK LIMITED
Block 6, Plot 121 & 115 Katwe
P. O. Box 6972
Kampala

Company Secretary

Mrs. Patricia Kemirembe Katende
FINANCE TRUST BANK LIMITED
Block 6, Plot 121 & 115 Katwe
P. O. Box 6972
Kampala

Auditor

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

Branches

CENTRAL	LWENGO	KAMWENGE
ENTEBBE	GOMBA	KABAROLE
MUKONO	JINJA	KIJURA
LUGAZI	IGANGA	ARUA
KAYUNGA	KAMULI	KIKUUBO
NTUNGAMO	MASAKA	BUGIRI
KATWE	BUSIA	NAKIVUBO
TORORO	KALERWE	MBALE
OWINO	KUMI	KAMPALA ROAD
SOROTI	KITINTALE	PALLISA
KALANGALA	KAPCHORWA	NATEETE
MBARARA	NANSANA	ISHAKA

Director's Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015, which disclose the state of affairs of FINANCE TRUST BANK LIMITED ("the Bank").

PRINCIPAL ACTIVITIES

The Bank is engaged in the business of banking and the provision of related services as licensed to do so under the Financial Institutions Act.

RESULTS AND DIVIDEND

The profit for the year of Shs 2,012 million (2014: Shs 1,942 million) has been taken to retained earnings. The directors recommend payment of dividends amounting to Shs 402 million for the year ended 31 December 2015 (2014: Nil).

DIRECTORS

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

Hon. Eng. Irene Muloni	Chairperson
Mrs Annet Nakawunde Mulindwa	Managing Director
Mr. Dennis Kakeeto	Executive Director
Mrs. Grace Namulinda Aliakai	Director
Mrs. Lydia Ochieng Obbo	Director
Justice Mary I.D Maitum	Director
Mr. Jean-Louis de Montesquiou	Director
Mr. Tor G. Gull	Director
Mr. Loic De Cannie're	Director
Mrs. Lydia Koros	Director
Mr. Jeremy Hadjdenberg	Director – Alternate to Mr. Jean-Louis de Montesquiou
Mr. David Ssenoga	Director – Alternate to Mr. Tor G. Gull
Mr. Andrej Machacek	Director – Alternate to Mrs. Lydia Koros

AUDITOR

The Bank's auditor, PricewaterhouseCoopers was appointed during the year ended 31 December 2015 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.

By order of the Board

Secretary

31 March 2016

Statement of Directors' Responsibilities

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. 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 profit in accordance with International Financial Reporting Standards and with the requirements of the Uganda Companies Act and the Financial Institutions Act. 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.

HON. ENG. IRENE MULONI	LYDIA OCHIENG-OBBO	ANNET N. MULINDWA
Board Chairperson	Director	Managing Director

31 March 2016

Independent Auditors' Report

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF FINANCE TRUST BANK LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Finance Trust Bank Limited ("the Bank"), set out on pages 6 to 46. These financial statements comprise the statement of financial position at 31 December 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance about whether 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the Bank's financial affairs at 31 December 2015 and its profit or 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.

Report on other legal and regulatory requirements

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

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

ii) in our opinion proper books of account have been kept by the Bank, 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.

PricewaterhouseCoopers

Certified Public Accountants
Kampala

28 April 2016

Statement of Comprehensive Income

	Notes	2015 Shs 000	2014 Shs 000
Interest income	5	27,938,503	23,653,607
Interest expense	6	(6,876,147)	(5,159,699)
Net interest income		**21,062,356**	**18,493,908**
Impairment losses on loans and advances	16 (b)	(1,744,390)	(1,721,129)
Net interest income after loan impairment charges		**19,317,966**	**16,772,779**
Fees and commission income	7	16,274,794	13,529,559
Net foreign exchange gains	8	251,683	4,776
Other operating income	9	935,234	722,024
Operating expenses	10	(34,032,095)	(28,750,895)
Profit before income tax		**2,747,582**	**2,278,243**
Income tax expense	12	(735,454)	(336,720)
Profit for the year		2,012,128	1,941,523
Other comprehensive income		-	-
Total comprehensive profit income for the year		**2,012,128**	**1,941,523**
Earnings per share - basic and diluted (Shs per share)	30	72	72

Statement of Financial Position

	Notes	2015 Shs 000	2014 Shs 000
ASSETS			
Cash and balances with Bank of Uganda	13	17,612,687	14,359,070
Placements with other Banks	14	14,354,461	14,215,428
Government securities	15	944,738	-
Loans and advances to customers	16	99,405,575	78,451,602
Other assets	17	4,063,414	3,165,348
Current income tax recoverable	12	238,543	212,379
Property and equipment	18	10,522,889	7,343,008
Operating lease prepayments	19	893,731	934,030
Intangible assets	20	2,576,877	1,969,402
Deferred income tax asset	25	438,104	1,160,425
Total assets		**151,051,019**	**121,810,692**
EQUITY AND LIABILITIES			
Liabilities			
Customer deposits	21	78,419,204	70,515,068
Deposits and balances due to other banking institutions	22	10,025,004	8,913,797
Borrowings	23	21,484,818	5,205,937
Finance Leases	26	252,255	474,048
Other liabilities	24	6,151,708	3,995,940
Total liabilities		**116,332,989**	**89,104,790**
Equity			
Share capital	27	27,785,402	26,982,973
Share premium	27	-	802,429
Regulatory credit risk reserve	16 (c)	1,273,360	1,067,937
Retained earnings		5,256,842	3,852,563
Proposed dividends		402,426	-
Total equity		**34,718,030**	**32,705,902**
Total equity and liabilities		**151,051,019**	**121,810,692**

The financial statements on pages 41 to 85 were approved for issue by the Board of Directors on 31 March 2016 and signed on its behalf by:

Director

Director

Managing Director

Secretary

Statement of Changes in Equity

	Notes	Share capital Shs 000	Share premium Shs 000	Regulatory reserve Shs 000	Retained earnings Shs 000	Proposed dividends Shs 000	Total Shs 000
Year ended 31 December 2014							
At 1 January 2014	27	26,085,402	-	397,866	2,581,111	-	29,064,379
Comprehensive income:							
Profit/Loss for the year		-	-	-	1,941,523	-	1,941,523
Total comprehensive income		-	-	-	1,941,523	-	1,941,523
Transfer to regulatory reserve		-	-	670,071	(670,071)	-	-
Transactions with owners:							
Rights issue		897,571	802,429	-	-	-	1,700,000
At 31 December 2014	**27**	**26,982,973**	**802,429**	**1,067,937**	**3,852,563**	**-**	**32,705,902**
Year ended 31 December 2015							
At 1 January 2015	27	26,982,973	802,429	1,067,937	3,852,563	-	32,705,902
Comprehensive income:							
Profit for the year		-	-	-	2,012,128	-	2,012,128
Total comprehensive income		26,982,973	802,429	1,067,937	5,864,691	-	34,718,030
Transfer from regulatory reserve		-	-	205,423	(205,423)	-	-
Transactions with owners:							
Bonus issue		802,429	(802,429)	-	-	-	-
Proposed Dividend		-	-	-	(402,426)	402,426	-
At 31 December 2015	**27**	**27,785,402**	**-**	**1,273,360**	**5,256,842**	**402,426**	**34,718,030**

Statement of Cash Flows

	Notes	2015 Shs 000	2014 Shs 000
Cash flows from operating activities			
Interest receipts		27,710,352	23,207,277
Interest payments		(6,192,729)	(3,967,825)
Net fee and commission receipts		16,403,357	12,630,755
Other income received		623,176	150,488
Recoveries from loans previously written off		393,636	293,367
Payments to employees and suppliers		(31,658,262)	(27,681,851)
Income tax paid	12	(39,296)	-
Cash flows from operating activities before changes in operating assets and liabilities		**7,240,234**	**4,632,211**
Changes in operating assets and liabilities:			
- loans and advances		(22,725,250)	(18,035,904)
- other assets		(898,068)	(585,294)
- customer deposits		7,904,136	30,096,604
- deposits due to other banks		1,111,206	2,015,848
- amounts due to group companies		-	-
- other liabilities		857,466	(181,939)
- government securities		(944,738)	-
Net cash generated from operating activities		**(7,455,014)**	**17,941,526**
Cash flows from investing activities			
Decrease /(Increase) in Placements with other banks		1,562,570	(2,883,910)
Purchase of property and equipment	18	(5,112,939)	(3,075,703)
Purchase of intangible assets	20	(1,123,059)	(398,082)
Proceeds from sale of property and equipment		14,171	37,690
Net cash utilized in investing activities		**(4,659,257)**	**(6,320,005)**
Cash flows from financing activities			
Issue of ordinary shares	27	-	1,700,000
Proceeds/ Repayment of borrowings	23	16,057,087	(7,066,406)
Change in designated funds		537,885	195,826
Change in capital grants		474,517	(47,084)
Net cash utilized from financing activities		**17,069,489**	**(5,217,665)**
Net increase/ (decrease) in cash and cash equivalents		**4,955,218**	**6,403,856**
Cash and cash equivalents at start of year		19,671,947	13,268,091
Cash and cash equivalents at end of year	**29**	**24,627,165**	**19,671,947**

Notes

1 General information

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

Block 6, Plot 121 & 115 Katwe
P. O. Box 6972
Kampala

For the Ugandan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account 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 thousand (Shs 000).

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

Changes in accounting policy and disclosures

(i) The following standards/ amendments have been adopted by the Bank for the first time for the financial year beginning on 1 January 2015 but have no impact on the Bank's financial statements:

- IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities.

  This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

- IAS 36, 'Impairment of assets' on the recoverable amount disclosures for non-financial assets.

  This amendment removed certain disclosures of the recoverable amount of Cash Generating units (CGUs) which had been included in IAS 36 by the issue of IFRS 13.

- IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting.

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

(i) New and amended standards adopted by the Bank

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'.

  The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized.

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.

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

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

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Uganda Shillings ("Shs") 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 assets in the portfolio, including:

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

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

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

(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 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 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 while leased buildings (including leasehold improvements) are depreciated on a straight line basis over the shorter of the estimated useful life and the remaining lease term.

Depreciation on other assets is calculated on reducing balance at annual rates estimated to write off the carrying values of assets over their expected useful lives.

The applicable depreciation rates of items of property and equipment are as follows:

Leased Buildings	Over the lease term
Motor vehicles	25%
Office equipment	20%
Computer Hardware	33.3%
Fixtures and fittings	12.5%

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 (five years).

Costs associated with maintaining computer software programmes are recognised as an expense as they are 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 five 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled or the related deferred income tax asset is realised.

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

(m) Cash and cash equivalents

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

(n) Employee benefits

(i) Retirement benefit obligations

The Bank operates a defined contribution retirement benefit scheme for all its permanent confirmed employees. The Bank and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a retirement benefit plan that is not a defined contribution plan and defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

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

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

(ii) Other entitlements

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

(o) Customer deposits

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

(p) Borrowings

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

(q) Share capital

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

(r) Dividends

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

(s) Accounting for leases

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

(i) With the Bank as lessee

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

(ii) With the Bank as lessor

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

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

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

(t) Acceptances and letters of credit

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

(u) Grants

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

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

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

3 Critical accounting estimates and judgements in applying accounting policies

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

(a) Deferred income tax asset

In 2015, the Bank recognised a deferred tax asset of Shs 440 million in respect of accumulated tax losses based on management's projections that sufficient taxable profits will be generated in the foreseeable future against which the deferred tax asset will be utilised. The deferred tax asset has been maintained in the balance sheet with an assumption that the bank will remain profitable based on the projected growth in earning assets, decrease in the cost of funds, decrease in the cost to income ratio and increase in customer deposits.

(b) Impairment losses on loans and advances

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

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. As at 31 December 2015, an IAS 39 provision was computed for unidentified and identified impairment. For the entire loan portfolio, impairment loss was measured on the basis of the present value of estimated future cash flows discounted at the original effective interest rate. Future expected cash flows were determined based on the value of the collateral held for which the bank's interest was registered.

For all loans not identified as individually impaired and for those identified as being impaired but classified as insignificant an impairment provision was computed using the existing bank historical loss experience to arrive at the credit loss ratio. Credit loss ratios were computed per product line to reflect variations in product characteristics and this was on the basis of bank data over a period of 4 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:		
	2015 Shs 000	**2014 Shs 000**
Placements with other banks (Note 14)	**7,339,982**	8,902,551
Loans and advances to customers (Note 16)	**99,405,575**	78,451,601
Government securities (Note 15)	**944,738**	-
Other assets (Note 17)	**4,063,414**	3,165,346
	111,753,709	90,519,498
Credit risk exposures relating to off-balance sheet items:		
- Guarantee and performance bonds	**108,117**	-
- Commitments to lend	**900,856**	667,290
Total exposure	**112,762,682**	91,186,788

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2015, 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, 84.2% of the total maximum exposure is derived from loans and advances to banks and customers 0.8% represents investments in debt securities.

All Loans and advances to customers other than to salaried individuals, 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
- 96% of the loans and advances portfolio are neither past due nor impaired
- 99% of the loans and advances portfolio is not impaired
- 96% of the loans and advances portfolio are backed by collateral

(iv) Loans and advances

	2015 Shs 000	2014 Shs 000
Neither past due nor impaired	**93,460,445**	74,232,172
Past due but not impaired	**6,397,192**	5,289,788
Impaired	**1,030,871**	577,672
Gross	**100,888,508**	80,099,632
Less: allowance for impairment (Note 16)	**(1,482,933)**	(1,648,031)
Net amount	**99,405,575**	78,451,601

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:

	2015 Shs 000	2014 Shs 000
Standard	**93,460,445**	74,232,173

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:

	2015 Shs 000	2014 Shs 000
Past due up to 30 days	**2,433,140**	2,120,635
Past due 31 – 60 days	**1,019,740**	711,659
Past due 61 – 90 days	**454,695**	472,796
Past due over 90 days	**2,489,617**	1,984,698
Total	**6,397,192**	5,289,788

Individually impaired:

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

	2015 Shs 000	2014 Shs 000
Individually assessed impaired loans		
- Corporate	-	-
- SME	**1,163,041**	577,672
- Consumer	-	-
	1,163,041	577,672
Fair value of collateral held	**813,230**	239,092

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.

Repossessed collateral

During 2015, the Bank did not re-possess any collateral held as security. The Bank's policy is to dispose of repossessed properties as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property not sold by year end is classified in the balance sheet within "other assets".

(b) Liquidity risk

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

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

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

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

At 31 December 2015	Up to 1 month Shs 000	1-3 months Shs 000	3-12 months Shs 000	1-5 years Shs 000	Over 5 years Shs 000	Total Shs 000
Liabilities and Equity						
Customer deposits	7,603,708	12,724,057	57,829,483	261,956	-	78,419,204
Deposits and balances due to banking institutions	3,500,004	3,725,000	2,800,000	-	-	10,025,004
Other borrowed funds	75,478	403,975	964,055	20,293,565	-	21,737,073
Other liabilities	1,628,462	-	4,523,246	-	-	6,151,708
Equity	-	-	-		34,718,030	34,718,030
Total liabilities	**12,807,652**	**16,853,032**	**66,116,784**	**20,555,521**	**34,718,030**	**151,051,019**
Assets						
Cash and balances with the Central Bank	1,467,724	2,935,448	13,209,515	-	-	17,612,687
Balances & Placements with other Banks	4,793,321	811,488	8,749,650	-	-	14,354,459
Loans and advances to customers	13,600,238	17,291,814	40,467,933	28,045,590	-	99,405,575
Other assets	-	-	-	-	4,063,414	4,063,414
Current income tax recoverable	-	-	238,543	-	-	238,543
Government securities	-	944,738	-	-	-	944,738
Property and equipment	-	-	-	-	10,522,889	10,522,889
Operating lease prepayments	-	-	-	-	893,731	893,731
Intangible assets	-	-	-	-	2,576,877	2,576,877
Deferred income tax asset	-	-	438,104	-	-	438,104
Total assets	**19,861,283**	**21,983,488**	**63,103,745**	**28,045,590**	**18,056,911**	**151,051,019**
Off Balance Sheet Items						
Acceptances and letters of credit	(108,117)	-	-	-	-	
Approved advances not utilized	(900,856)	-	-	-	-	
Net liquidity gap	**6,044,658**	**5,130,456**	**(3,013,039)**	**7,490,069**	**(16,661,119)**	
At 31 December 2014						
Net liquidity gap	**20,864,630**	**7,056,054**	**2,173,173**	**(7,289,440)**	**50,000**	

(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 2015 and 2014. Included in the table are the Bank's financial instruments, categorised by foreign currency.

At 31 December 2015	USD Shs 000	Total Shs 000
Assets		
Cash and balances with Central Bank	31,243	**31,243**
Deposits and balances due from other banking institutions	114,440	**114,440**
Amounts due from group companies	-	-
Loans and advances	-	-
Other financial assets	-	-
Total assets	**145,683**	**145,683**
Liabilities	-	-
Customer deposits	-	-
Deposits and balances due to banking institutions	-	-
Amounts due to group companies	-	-
Other financial liabilities	-	-
Total liabilities		
Net on-balance sheet position	**145,683**	**145,683**
Net off-balance sheet position	-	-
Overall open position	**145,683**	**145,683**
At 31 December 2014	**309,748**	**309,748**

At 31 December 2015, if the functional currency had strengthened/weakened by 10% against the foreign currencies with all other variables held constant, the pre-tax profit for the year would have been Shs 14.57 million (2014: Shs 33.48 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 2015, 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 Shs 210.62 million (2014: Shs 184.94 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.

At 31 December 2015	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Assets						
Cash and bank balances	-	-	-	-	17,612,687	17,612,687
Placements with other banks	-	811,488	6,528,494	-	7,014,479	14,354,461
Loans and advances to customers	13,600,238	17,291,814	40,467,933	28,045,590	-	99,405,575
Other assets					4,063,414	4,063,414
Current Income Tax Recoverable	-	-		-	238,543	238,543
Government securities	-	944,738	-	-	-	944,738
Property and equipment					10,522,889	10,522,889
Operating lease prepayment					893,731	893,731
Intangible assets					2,576,877	2,576,877
Deferred Income Tax Asset	-	-	-	-	438,104	438,104
Total assets	**13,600,238**	**19,048,040**	**46,996,427**	**28,045,590**	**43,360,724**	**151,051,019**
Liabilities						
Customer deposits	7,585,757	12,603,840	57,142,355	261,956	825,296	78,419,204
Deposits and balances due to banking institutions	3,500,004	3,725,000	2,800,000	-	-	10,025,004
Other borrowed funds	75,478	403,975	964,055	20,293,565	-	21,737,073
Other Liabilities	-	-	-	-	6,151,708	6,151,708
Equity	-	-	-	34,718,030	-	34,718,030
Total Equity and Liabilities	**11,161,239**	**16,732,815**	**60,906,410**	**55,273,551**	**6,977,004**	**151,051,019**
Interest re-pricing gap	**2,438,999**	**2,315,225**	**(13,909,983)**	**(27,227,961)**		
At 31 December 2014						
Interest sensitivity gap	**1,444,576**	**7,303,468,**	**1,646,068**	**(6,990,481)**		

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 or 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.

As at 31 December 2015, the Bank did not have financial liabilities measured at fair value.

(e) **Financial instruments by category**

31 December 2015	Loans and Receivables Shs 000	Available-for-sale Shs 000	Total Shs 000
Assets as per balance sheet			
Cash and Balances with Bank of Uganda	17,612,687	-	17,612,687
Balances & Placements with other banks	14,354,461	-	14,354,461
Amounts due from group companies	-	-	-
Loans and advances to customers	99,405,575	-	99,405,575
Investment securities:			
– Held to Maturity	944,738	-	944,738
Total	**132,317,461**		**132,317,461**

31 December 2014	Loans and receivables Ushs 000	Available-for-sale Ushs 000	Total Shs 000
Assets as per balance sheet			
Cash and balances with Central Bank	14,359,070	-	14,359,070
Balances & Placements with other banks	14,215,428	-	14,215,428
Loans and advances to customers	78,451,601	-	78,451,601
Investment securities:			
– available-for-sale	-	-	-
Total	**107,026,099**	-	**107,026,099**

	2015 Shs 000	2014 Shs 000
Liabilities as per balance sheet – at amortised cost		
Customer deposits	78,419,204	70,515,068
Deposits from other banks	10,025,004	8,913,797
Other liabilities	6,151,708	3,995,940
Borrowings	21,484,818	5,205,937
Finance Leases	252,255	474,048
Total	**116,332,989**	**89,104,790**

(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 Shs 25 billion;

b) maintain a ratio of core capital to risk-weighted assets plus risk-weighted off-balance sheet assets 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, general provisions for loans and advances, subordinated debt and hybrid debt.

The table below summarises the composition of regulatory capital and the ratios of the Bank at 31 December 2015 determined in accordance with Bank of Uganda regulatory returns form BS 100A:

	2015 Shs 000	2014 Shs 000
Core capital (Tier 1)		
Shareholder's equity	**27,785,402**	27,785,402
Retained earnings	**5,256,842**	3,852,563
Intangible assets	**(2,576,877)**	(1,969,402
Deferred income tax asset	**(438,104)**	(1,160,425
Unrealized foreign exchange gains	**(251,683)**	(3,794
Total core capital	**29,775,580**	**28,504,344**
Supplementary capital (Tier 2)		
General provisions	**968,136**	758,352
Tier 2 capital	**968,136**	**758,352**
Total capital (Tier 1 and Tier 2)	**30,743,716**	**29,262,696**

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 2015:

	Balance sheet amount		Risk weight %	Risk weighted amount	
	2015 Shs '000	2014 Shs '000		2015 Shs '000	2014 Shs '000
Balance sheet assets (net of provisions)					
Central Bank balance	6,847,597	6,194,568	0%	-	-
Cash at hand	10,765,090	8,164,504	0%	-	-
Balances with Banks in Uganda	7,014,479	5,312,875	20%	1,402,896	1,062,575
Placement with DTB	1,839,572	2,000,414	20%	367,914	400,083
Placement with DFCU	3,000,000	1,764,118	20%	600,000	352,824
Placement with Pride Microfinance		2,716,445	20%	-	543,289
Placement with Finca		493,151	20%	-	98,630
Placement with Ugafode		1,928,423	20%	-	385,684

Placement with Crane Bank	500,000	-	20%	100,000	-
Placement with KCB	2,000,410	-	20%	400,082	-
Amounts due from group companies	-	-	0%	-	-
Loans and advances to customers	99,216,506	78,426,677	100%	99,216,506	78,426,677
Investment securities held to maturity	944,738	-	0%	-	-
Property and equipment	10,522,889	7,343,008	100%	10,522,889	7,343,008
Operating lease prepayments	893,731	934,030	100%	893,731	934,030
Intangible assets (offset against core capital)	2,576,877	1,969,402	0%	-	-
Tax recoverable	238,543	212,379	100%	238,543	212,379
Deferred tax assets (offset against core capital)	438,104	1,160,425	0%	-	-
Other assets	4,063,414	3,165,347	100%	4,063,414	3,165,347
On balance sheet assets	**150,861,950**	**121,785,766**		**117,805,975**	**92,924,526**

	Balance sheet amount		**Risk weight %**	**Risk weighted amount**	
	2015 Shs '000	**2014 Shs '000**		**2015 Shs '000**	**2014 Shs '000**
Off-balance sheet positions					
Guarantees	108,117	116,440	100%	108,117	116,440
Commitments to lend	900,856	667,290	50%	450,428	333,645
Off balance sheet items	**1,008,973**	**783,730**		**558,545**	**450,085**
Total risk-weighted assets	**151,870,923**	**122,569,496**		**118,364,520**	**93,374,611**

	2015 Shs '000	**2014 Shs '000**
Loans and advances to customers		
Gross Loans & Over Drafts	101,530,676	80,546,058
Less Specific Provisions (BOU)	(1,788,156)	(1,572,198)
Less Interest in Suspense	(526,014)	(547,183)
Net Loans and advances	**99,216,506**	**78,426,677**

Capital ratios per Financial Institutions Act (FIA)

Core capital	**29,775,580**	28,504,344
Total capital	**30,743,716**	29,262,695
FIA minimum ratio capital requirement		
Core capital (8%)	**25.2%**	30.5%
Total capital (12%)	**26.0%**	31.3%

5 Interest income

	2015 Shs 000	2014 Shs 000
Loans and advances	**27,358,701**	22,870,336
Government securities	**110,392**	-
Short term placements	**469,410**	783,271
	27,938,503	23,653,607

6 Interest expense

	2015 Shs 000	2014 Shs 000
Customer deposits	**5,056,613**	3,732,805
Borrowed funds	**1,819,534**	1,426,894
	6,876,147	5,159,699

7 Fee and commission income

Transactional fees and commission income	**4,422,475**	3,290,013
Credit related fees and commission income	**11,852,319**	10,239,546
	16,274,794	13,529,559

8 Foreign exchange income

Realized foreign exchange (losses)/ gains	-	-
Unrealized foreign exchange gains	**251,683**	4,776
	251,683	4,776

9 Other income

Recovery of written off loans	**393,636**	293,367
Grant income	**170,105**	92,065
Other income	**371,493**	336,592
	935,234	722,024

10 Operating expenses

Depreciation of property and equipment (Note 18)	1,893,416	1,480,712
Amortization of intangible assets (Note 20)	515,584	409,740
Employee benefits expense (Note 11)	19,058,917	16,097,133
Auditor's remuneration	144,555	96,728
Legal fees	266,697	180,640
Other professional fees	351,179	190,018
Rent and rates	2,227,607	2,047,433
Advertising and promotion	914,926	1,077,395
Communication and technology	1,816,197	1,332,225
Administration costs	6,417,410	4,902,040
Other	425,607	936,831
	34,032,095	**28,750,895**

11 Employee benefits expense

Salaries and wages	**14,312,921**	11,736,162
NSSF contributions	**1,539,748**	1,293,724
Defined contribution scheme contributions	**450,687**	403,861
Other staff costs	**2,755,561**	2,663,386
	19,058,917	16,097,133

12 Income tax expense

	2015 Shs 000	2014 Shs 000
Current income tax charge	**13,133**	-
Deferred income tax credit-Prior Period adjustment (Note 25)	**(38,672)**	3,351
Deferred income tax Charge-Current Year (Note 25)	**760,993**	333,369
	735,454	336,720
(Loss)/ profit before income tax	**2,747,582**	2,278,243
Tax calculated at the statutory income tax rate of 30% (2014: 30%)	**824,275**	683,473
Tax effect of:		
- Income not subject to tax	**(50,555)**	(724,993)
- Tax effect of non-deductible items	**34,657**	192,553
- Final tax on government securities	**16,021**	-
- Adjustment on Prior year current tax provision	**(2,888)**	-
- Prior year deferred income tax under provision	**(38,672)**	-
- Deferred tax expense - Deferred tax - movement on balances	**(47,384)**	185,687
Income tax (credit)/Charge	**735,454**	336,720
Current income tax recoverable was as follows:		
At start of year	**212,379**	**212,379**
Adjustments for prior period items	**2,888**	-
Current income tax charge	-	-
Income tax paid	**23,276**	-
At end of year	**238,543**	**212,379**

13 Cash and balances with Bank of Uganda

Cash on hand	**10,765,090**	8,164,503
Balances with BoU	**6,847,597**	6,194,567
	17,612,687	14,359,070

14 Placements and deposits with other banks

Balances with Banks in Uganda	**7,014,479**	5,312,875
Placements with other banking institutions - inside Uganda	**7,339,982**	8,902,553
	14,354,461	14,215,428

15 Government securities

Held to maturity investments – at amortized cost

Treasury bills		
Face value		
Maturing after 90 days from the year end	**944,738**	-
	944,738	-

The weighted average effective interest rate on government securities was 21.2% (2014: Nil)

16 Loans and advances to customers

a) Analysis of loan advances to customers by category:

	2015 Shs 000	**2014 Shs 000**
Term loans	**99,561,880**	79,896,848
Overdrafts	**1,968,796**	649,210
Total Gross Loans before staff loan fair valuation adjustment	**101,530,676**	80,546,058
Staff Loan Fair Value Adjustment	**(642,168)**	(446,426)
Adjusted Gross loans and advances	**100,888,508**	80,099,632
Less: Provision for impairment of loans and advances		
- Individually assessed	**(349,811)**	(723,602)
- Collectively assessed	**(1,133,122)**	(924,429)
	99,405,575	78,451,601

The weighted average effective interest rate on loans and advances to customers was 25.3% (2014: 26.1%).

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

	Individually assessed Shs 000	Collectively assessed Shs 000	Total Shs 000
Year ended 31 December 2014			
At 1 January	**126,277**	**753,373**	**879,650**
Provision for loan impairment	634,271	1,086,858	**1,721,129**
Amounts recovered during the year	-	-	-
Transfers	-	-	-
Loans written off during the year as uncollectible	(36,946)	(915,802)	**(952,748)**
At 31 December	**723,602**	**924,429**	**1,648,031**
Year ended 31 December 2015			
At 1 January	723,602	924,429	**1,648,031**
Provision for loan impairment	6,626	1,737,764	**1,744,390**
Amounts recovered during the year	-	-	-
Transfers	-	-	-
Loans written off during the year as uncollectible	(380,417)	(1,529,071)	**(1,909,488)**
At 31 December	**349,811**	**1,133,122**	**1,482,933**

(a) Impairment losses charged to profit or loss

	2015 Shs 000	2014 Shs 000
Provision for loan impairment (note 16 (a))	**1,744,390**	1,721,129
Amounts recovered during the year (note 16 (a))	-	-
	1,744,390	1,721,129

(b) Regulatory reserve

Analysis as per Bank of Uganda guidelines

	2015 Shs 000	2014 Shs 000
Total provision as per IFRS		
Specific provision (Note 16(a))	**349,811**	723,602
General provision	**1,133,122**	924,429
	1,482,933	1,648,031
Total provisions as per BOU guidelines		
Specific provisions	**1,788,156**	1,957,616
General provisions	**968,137**	758,352
	2,756,293	2,715,968
Regulatory reserve		
At 1 January	**1,067,937**	397,866
Transfer to the regulatory reserve	**205,423**	670,071
At 31 December	**1,273,360**	**1,067,937**

17 Other assets

Accounts receivable and prepayments	**3,423,825**	2,761,631
Items in transit	**303,754**	-
Stationery stocks	**335,835**	403,717
Total	**4,063,414**	3,165,348

18 Property and equipment

	Buildings Shs 000	Motor vehicles/ Cycles Shs 000	Computer Hardware Shs 000	Fixtures, fittings and equipment Shs 000	Work in progress Shs 000	Total Shs 000
Year Ended 31 December 2014						
Opening net book amount	**160,912**	**609,056**	**792,370**	**4,207,987**	**-**	**5,770,325**
Additions	-	590,932	276,108	2,208,663	-	3,075,703
Disposals	-	(96,550)	(32,236)	-	-	(128,786)
Transfers from WIP	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Depreciation charge	(2,531	(290,854)	(312,692)	(874,635)	-	(1,480,712)
Depreciation on disposals	-	75,788	30,690	-	-	106,478
Closing net book amount	**158,381**	**888,372**	**754,240**	**5,542,015**	**-**	**7,343,008**
Cost	188,240	1,615,996	2,845,000	10,447,694	-	15,096,930
Accumulated depreciation	(29,859)	(727,624)	(2,090,760)	(4,905,679)	-	(7,753,922)
Net book amount	**158,381**	**888,372**	**754,240**	**5,542,015**	**-**	**7,343,008**
Year Ended 31 December 2015						
Opening net book amount	**158,381**	**888,372**	**754,240**	**5,542,015**	**-**	**7,343,008**
Additions	-	396,257	2,034,886	1,909,242	772,554	5,112,939
Disposals	-	(23,400	(182,020	(91,054	-	(296,474)
Transfers from WIP	-	-	-	-	-	-
Write-offs	-		-	-	-	-
Depreciation charge	(2,532)	(360,724)	(389,292)	(1,140,868)	-	(1,893,416)
Depreciation on disposals	-	19,659	169,364	67,809	-	256,832
Closing net book amount	**155,849**	**920,164**	**2,387,178**	**6,287,144**	**772,554**	**10,522,889**
Cost	188,240	1,988,853	4,697,866	12,265,884	772,554	19,913,395
Accumulated depreciation	(32,391)	(1,068,689)	(2,310,688)	(5,978,739)	-	(9,390,506)
Net book amount	**155,849**	**920,164**	**2,387,178**	**6,287,145**	**772,554**	**10,522,889**

19 Operating lease prepayments

	2015 Shs 000	2014 Shs 000
Cost		
At 1 January	**4,705,667**	2,695,772
Additions	**2,187,308**	2,009,895
At 31 December	**6,892,975**	4,705,667
Amortization		
At 1 January	**3,771,637**	1,724,204
Charge for the year	**2,227,607**	2,047,433
At 31 December	**5,999,244**	3,771,637
Net book value		
At 31 December	**893,731**	934,030

20 Intangible assets

Net book amount at 1 January	**1,969,402**	1,981,060
Additions: Computer Software	**1,123,059**	398,082
Amortization	**(515,584)**	(409,740)
Net book amount at 31 December	**2,576,877**	1,969,402
Cost	**5,488,617**	4,365,558
Accumulated depreciation	**(2,911,740)**	(2,396,156)
Net book amount	**2,576,877**	1,969,402

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

	2015 Shs 000	2014 Shs 000
Current and demand deposits	**7,976,642**	6,773,970
Savings accounts	**45,573,666**	36,650,118
Fixed deposit accounts	**24,868,896**	27,090,980
	78,419,204	70,515,068

The weighted average effective interest rate on customer deposits was 3.11% (2014; 2.9%).

22 Deposits and balances due to other banking Institutions

	2015 Shs 000	2014 Shs 000
Items in course of collection	-	-
Term deposits	**10,025,004**	8,913,797
	10,025,004	8,913,797

The deposits with other banking institutions are interest bearing.

The weighted average effective interest rate on deposits and balances due to other banking institutions was 18.9%.

23 Borrowings

	2015 Shs 000	2014 Shs 000
ABI	**5,116,507**	727,273
Stromme Finance	**4,499,746**	1,800,000
Uganda Energy Credit Capitalisation Company	**661,709**	131,381
The Micro Finance Support Centre Limited	**1,295,740**	2,547,283
East Africa Development Bank	**5,911,116**	-
Oikocredit	**4,000,000**	-
	21,484,818	5,205,937

The Agri Business Initiative (ABI) loan was acquired on 13th May 2015 for a period of 5 years, at a fixed rate of 13.5% p.a and for purposes of financing agribusiness lending to customers. It is repayable in quarterly installments and is secured by a debenture on the loan portfolio equivalent to 100% of the amount outstanding.

The loan from Stromme is made up of three (3) instruments. These include; one of Shs 3.0bn that was obtained for a period of 3 years at a fixed rate of 14.0% p.a, one of Shs 2.5b arranged for a tenor of 37 months at a fixed rate of 14.5% p.a and one of Shs 1.7bn organized for a period of 38 months at a fixed rate of 17.0% p.a. They are all repayable in quarterly installments and are secured by debentures on loan portfolio equivalent to 150% of the outstanding amounts.

The company secured a loan facility of Usd 250,000 from Uganda Energy Credit Capitalization Company Limited (UECCL) at a fixed rate of 8.15% for a period of 10 years. The facility was advanced in two tranches and is repayable in 18 equal half yearly installments. The instrument was secured by execution of a demand promissory note in favour of UECCL for the amount disbursed plus interest at a rate of 8.15% p.a and was meant for on-lending to customers for purposes of acquiring and installing solar systems.

The facility from the Micro Finance Support Center Limited (MSCL) was a commercial loan of Shs 2.0bn that was taken out for a period of 36 months at a fixed rate of 13% p.a and is secured by a debenture on loan portfolio to the extent of the loan amount of Ugx 2.0bn.

The East Development Bank facility was secured for a tenor of 96 months at a fixed rate of

14% and is repayable in quarterly installments. It's secured by a debenture on loan portfolio equivalent to 120% of the outstanding loan amount.

The loan from Oiko Credit is a facility of Ugx 6.0bn secured in Dec 2015 to be advanced in two tranches (one of Shs 4.0bn and the other of Shs 2.0bn). By Dec 2015, only the first tranche had been advanced and the next one is due in the first quarter of the year 2016. The facility was arranged for a tenor of 6 years at a floating rate that is tagged to the 182 T-bill rates plus a premium of 1.905% with a floor of 12% and repayable on a quarterly basis. It is secured by a debenture on loan portfolio equivalent to 120% of the outstanding amount.

All term loans were sourced for purposes of on-lending to customers in the ordinary course of business.

24 Other liabilities

	2015 Shs 000	2014 Shs 000
Accounts payable	**1,114,631**	632,507
Accruals and provisions	**162,391**	155,780
Taxes payable	**614,653**	426,642
Gratuity & pensions	**428,593**	396,070
Deferred income	**1,385,553**	1,099,652
Designated funds	**979,817**	441,935
Capital grants	**943,926**	469,409
Others	**522,144**	373,946
	6,151,708	3,995,941

25 Deferred income tax asset

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

	2015 Shs 000	2014 Shs 000
Accelerated capital allowances	**(1,651,566)**	(1,481,379)
Tax losses carried forward	**1,289,260**	2,058,098
Provisions for loan impairment	**339,937**	277,329
Other provisions	**177,295**	165,555
Capital Grants	**283,178**	140,822
Net deferred income tax asset	**438,104**	1,160,425

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

At start of year	**1,160,425**	1,497,145
Prior period adjustments (note 12)	**38,672**	(3,351)
Income statement charge – current year (note 12)	**(760,993)**	(333,369)
At end of year	**438,104**	1,160,425

26 Finance Lease Arrangements

The Bank entered into finance leasing arrangements with DFCU & Centenary banks as per the details below:

The facility from Centenary Bank (CRDB) relates to leasing arrangements which the Bank entered for tenors of 36 months, at a fixed rate of 20% p.a and for purposes of acquiring motor vehicles. They are secured by a charge on outstanding loan portfolio equivalent to 120% of the outstanding amount and they are repayable on a monthly basis.

The DFCU facility is also a motor vehicle leasing arrangement that was entered for a 36 months period at a fixed rate of 22% p.a. It is secured by a car logbook and is repayable on a monthly basis.

The balance from the above two facilities as at year end of future minimum lease payments under non-cancellable finance leases are as follows:

	2015 **Shs 000**	**2014** **Shs 000**
As a 1 January 2015	**474,048**	172,546
New contracts	-	379,343
Payments made during the year	**(221,793)**	(77,842)
Total	**252,255**	474,048
Not later than 1 year	**79,724**	186,580
Later than 1 year but less than 5 years	**172,531**	287,468
Later than 5 years	-	-
Total	**252,255**	474,048

27 Share capital

	Number of shares issued & fully paid (thousands)	Ordinary shares Shs 000	Share premium Shs 000
Year ended 31 December 2014			
At start of year	26,085,402	26,085,402	-
Rights issue of shares	897,571	897,571	802,429
At year end	**26,982,973**	**26,982,973**	**802,429**
Year ended 31 December 2015			
At start of year	26,982,973	26,982,973	802,429
Bonus issue of shares	802,429	802,429	(802,429)
At end of year	**27,785,402**	**27,785,402**	-

The total authorised number of ordinary shares is Shs 30 million (2014: 30 million) with a par value of Shs 1,000 per share.

On 31 July 2015 a bonus issue of 802,428 shares was made by capitalizing Shs 802,428,722 (2014: Nil) from share premium. This was allotted to the existing members of the company then in equal proportion to their respective shareholding.

No interim dividend was paid during the year (2014: nil). The directors recommend a dividend of Shs 14.67 per share totalling to Shs 402 million for the year ended 31 December 2015 (2014: nil).

Payment of dividends is subject to withholding tax rate at a rate depending on the tax residence of the shareholder.

28 Bank shareholding

The Bank shareholders are as follows:

Shareholder:	Country of incorporation	Holding
UWT	Uganda	20.1%
Oikocredit	Netherlands	19.6%
PEAMEF	Mauritius	18.3%
RIF North 1	Mauritius	18.3%
I&PAE	Mauritius	14.2%
Founder Members	Uganda	9.5%
		100.00%

29 Analysis of cash and cash equivalents

	2015 Shs 000	2014 Shs 000
Cash and Balances with Banks of Uganda (note 13)	17,612,687	14,359,070
Less: cash reserve requirement	(6,600,000)	(5,710,000)
Government securities - maturing within 90 days (note 15)	-	-
Balances and Placements with other banks (note 14)	14,354,461	14,215,428
	25,367,148	**22,864,498**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central bank and amounts due from other banks.

Cash and cash equivalents include the cash reserve requirement held with the Bank of Uganda. Banks are required to maintain a prescribed daily average minimum cash balance with the Bank of Uganda from time to time and the amount is determined as 8% of the average outstanding customer deposits over a cash reserve cycle period of two weeks.

30 Earnings per share

	2015	2014
Profit attributable to equity holders of the Bank (Shs 000)	**2,012,128**	1,941,522
Weighted average number of ordinary shares in issue (thousands)	**27,785,402**	26,982,973
Earnings per share (expressed in Shs per share)	**72**	72

31 Related party balances

	2015 Shs 000	2014 Shs 000
a) Related party balances		
Loans from Oikocredit (Shareholder)	4,000,000	-
	4,000,000	-
Loans and Advances to Directors & Staff	5,827,697	3,115,793
	5,827,697	3,115,793
b) Related party transactions		
Interest:		
- Interest paid to related parties/directors	-	-
- Interest earned from related parties (Staff Loans)	**851,164**	381,157
Directors' remuneration		
- Directors' fees	**455,602**	445,982

- Other emoluments	-	-
	455,602	445,982

Key management compensation		
Salaries and short-term employment benefits	**2,168,928**	1,996,431
Terminal benefits	**450,688**	403,860
Other staff benefits	**419,214**	371,672
	3,038,830	2,771,963

32 Off-balance sheet financial instruments, contingent liabilities and commitments

The following are the commitments outstanding at year end	**2015 Shs 000**	**2014 Shs 000**
Acceptances and letters of credit	-	-
Guarantee and performance bonds	108,117	-
	108,117	-

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;

	2015 Shs 000	**2014 Shs 000**
Approved advances not utilized	**900,856**	667,290

Finance Trust Bank branches countrywide

Kisoro
Kabale

Kampala Branches

- Central
- Katwe
- Kampala Rd
- Nakivubo
- Nansana
- Kalerwe
- Kitintale
- Owino
- Nateete
- Kikuubo

Key

Finance Trust Bank Branches

Visit any of our 36 branches countrywide

• Arua • Central • Kalerwe • Kampala Road • Kitintale • Mukono • Entebbe
• Kalangala • Katwe • Masaka • Nakivubo • Nansana • Nateete • Owino
• Kumi • Busia • Kapchorwa • Mbale • Pallisa • Soroti • Tororo • Bugiri
• Iganga • Jinja • Kamuli • Kayunga • Lugazi • Kabarole • Ishaka • Gomba
• Kamwenge • Mbarara • Ntungamo • Kikuubo • Lwengo • Kijura

Notes

Notes

Notes

Head Office: Plot 115 & 121 Katwe
Tel: 0414 341275/255146
Website: www.financetrust.co.ug

Licensed by Bank Of Uganda No. A1.28.