

FACILITATING RECOVERY POST COVID-19

EXTRACT OF THE FINANCIAL
STATEMENTS AND DEVELOPMENT
IMPACT FOR THE YEAR ENDED 31ST
DECEMBER 2021



MANAGING DIRECTOR'S STATEMENT

SUPPORTING ECONOMIC RECOVERY

The year 2021 opened with renewed hope for an improved economic environment as a result of an initial slowdown of the COVID-19 pandemic. Nonetheless, this trend and the related optimism were later reversed as a new wave of the pandemic ravaged the country, bringing with it record high numbers of infections and deaths. Like other countries, Uganda continued to experience varied social and economic effects from this pandemic during the year 2021, with several economic activities and enterprises, particularly those in the tourism and education sectors bearing the brunt of these effects.

Throughout this period, the Bank continued to play its pivotal role in facilitating economic recovery. UDB continued to implement credit accommodations to its customers especially those directly distressed by the COVID-19 pandemic, to guarantee the survival of these enterprises beyond the pandemic. To this end, the Bank deferred repayments on Ushs 172.5 Billion on its portfolio. The Bank also disbursed Ushs 428 Billion in new funding to various enterprises, thereby availing liquidity within the economy to facilitate varied economic activities.

Additionally, under its interventions dubbed the "Special Programs", the Bank launched specialized lending products specifically aimed at addressing constraints to credit access by the underserved segments including the youth, women and SMEs. These products are complemented by the UDB Business Accelerator for Successful Entrepreneurship (BASE) Program through which the Bank provides business development and advisory services, whose purpose is to support informal

enterprises to formalize, support credit-readiness as well as improved business operations for the enterprises enrolled onto the program - through capacity building interventions including training in financial management, book keeping, regulatory compliance, governance, among others.

The Bank remains committed to providing relevant financial and non-financial interventions that support the private sector to be vibrant and sustainable, and to continue making its mark on building a sustainable economy.

DELIVERING OUR MANDATE AND STRATEGY

Through 2021, the Bank continued the pursuit of its High Impact Goals, namely: To reduce poverty in Uganda while protecting the natural environment; build a sustainable food system for Uganda; and promote sustainable industrialization in Uganda. Anchored against these goals, UDB implemented a function of initiatives, with the year 2021 marking year two (02) of implementation of the UDB 2020-2024 Strategic Plan. Amongst the key milestones registered included the following:

1. CREATING SUSTAINABLE SOCIO-ECONOMIC IMPACT

The Bank continues to invest its resources in projects that demonstrate not only financial viability but also the propensity to deliver tangible socio-economic outcomes. To this end, the following development outcomes were realized in 2021, as a result of the Bank's funding activities:

Job Creation

A total of **41,338 jobs** were created/maintained amongst the enterprises that the Bank financed, a 72% uplift from 24,013 jobs created in 2020. This improvement is attributed to the growing number of enterprises funded and the resumption of business activity during the latter part of the year. Of these jobs, 62% were occupied by the youth.

Supporting Private Sector competitiveness and performance

The annual output value for companies financed by the Bank was **Ushs 2.45 Trillion** representing a marginal 1% drop from Ushs 2.48 Trillion the previous year.

Similarly, profitability amongst these enterprises fell 23% year on year, to Ushs 314 Billion, accounting for a related decline in tax contributions (corporation tax) to government, from Ushs 160 Billion to Ushs 84 Billion in 2021. These declines are testament to the adverse effects of the COVID-19 pandemic on businesses in Uganda and the economy in general.

Notably, the industrial output value, mainly comprised of enterprises engaged in agro-processing and manufacturing, and accounting for 75% of the total output, grew 20% from Ushs 1.52 Trillion in 2020 to Ushs 1.83 Trillion in 2021 – reflective of increased effort to undertake value-addition and manufacturing processes, and a scale back of non-essential production on account of suppressed demand.

Gender and other considerations

Of the 41,338 jobs that were created/maintained, 23% were held by females, growing from 7,859 jobs in 2020 to 9,197 jobs in 2021. Additionally:

- Women held 34% representation in the shareholding, board and senior management structures of the companies funded;
- 290 jobs were occupied by persons living with disability, improving from 23 positions in 2020.

The Bank will continue to implement deliberate interventions to finance projects that create opportunities for underserved sections of the society.

Other Impact indicators

It is noteworthy that during the year, and from the Bank's interventions;

- Up to 9,149 individuals were lifted out of poverty i.e. they started to earn incomes above the poverty line (US\$1.90 per day);

NEW FUNDING
DISBURSED
TO VARIOUS
ENTERPRISES

428_{bn}

77%↑

POST TAX PROFIT
FROM Ushs 22.1
BILLION IN 2020

38.8_{bn}

76%↑

NET LOANS
AND
ADVANCES

781.7_{bn}

53%↑

BALANCE
SHEET

1.22_{tn}

12%↑

JOBS CREATED/
MAINTAINED

41,338

72%↑



- Post-harvest losses amongst firms supported by the Bank reduced from 15% to a maximum of 11%; and
- The beneficiaries of UDB funding under the health sector improved their bed capacity from 140 to 197 hospital beds, and thus handled the 36% uplift in patient traffic equivalent to 36,982 additional patients in 2021.

Projected impact (ex-ante) from 2021 Approvals

During the year under review, the Bank approved Ushs 635.5 Billion in new funding to 192 projects spread across the country, representing a 43% uplift from the Ushs 443.7 Billion approved to 75 projects the previous year.

These projects, upon full implementation, are expected to create 45,048 jobs, generate output value of Ushs 7.05 Trillion, contribute taxes amounting to Ushs 570 Billion and generate foreign exchange earnings in excess of Ushs 1.5 Trillion.

2. FINANCIAL SUSTAINABILITY

UDB continues to exercise financial prudence in managing the resources it has been entrusted with, thereby sustaining the financial soundness of the institution.

During 2021, the Bank realized a post-tax profit of Ushs 38.8 Billion, growing by 76% from Ushs 22.1 Billion in 2020, underpinned by a 55% growth in total income. This performance resulted mainly from the continued growth in the Bank's capitalization, coupled with increased investment in interest bearing assets, notably loan disbursements to qualifying development projects.

In this light, the Bank's net loans grew by 53% during the year to close at Ushs 781.7 Billion, from Ushs 511.9 Billion in 2020. Similarly, the Bank's interest and fee income improved to Ushs 112.9 Billion, up by 57% from Ushs 72.1 Billion the previous year, on the back of 53% uptick in the portfolio size.

The Bank's size and scale continues to grow. At the turn of the year 2021, UDB's balance sheet amounted to Ushs 1.222 Trillion, growing by 12% from Ushs 1,089 Trillion registered in 2020. The Government of Uganda capitalized the Bank with an additional Ushs 104 Billion allocation during the year, increasing the cumulative capital contributions to Ushs 1,014.9 Billion.

The Bank's efficiency ratios remained healthy – with cost to income ratio improving from 33% to 25%; return on assets improving from 2.8% to 3.44%; and return on equity improving from 3.51% to 4.93%.

The Bank will continue to leverage these successes to create a firm foundation for sustained financial performance and operational efficiency. UDB remains committed to undertaking deliberate efforts to support feasible development interventions whilst balancing risk, and especially, the potential risk of default by customers.

3. THOUGHT LEADERSHIP

Entrenching Sustainability

The Bank continued with its aspiration engender sustainability in its business and operations, through among other avenues, implementing, impact-based planning and execution, business-sourcing and investment, and reporting.

"The Bank continues to invest its resources in projects that demonstrate not only financial viability but also the propensity to deliver tangible socio-economic outcomes."

The Bank was recognized globally for the achievements and leadership in advancing sustainable finance – emerging **Sustainability Leader of the Year**, at the 2021 Global Sustainable Finance Awards held during the World Development Finance Conference. This follows earlier accolades and a Level 5 Certification under the Sustainability Standards Certification Initiative (SSCI) – the highest award in the certification process, in addition to UDB being the first DFI in Africa to attain this status.

Leveraging Institutional talent and technology

The Bank's people structure, processes, systems and technology continued to evolve in line with its mandate and ever-changing operating environment. To this end, UDB revisited various institutional arrangements with the aim of supporting the realization of the Bank's strategy and High Impact Goals. This adaptive approach enabled the institution to continue serving the customer throughout the year whilst guaranteeing the health and safety of our staff.

Innovation to support financial inclusion

The Bank rolled out specialized products and services to address a vast array of financing needs in the country. Amongst these included the Special Programs and BASE – targeting Youths, Women and SMEs; and the Water for Production Program that aims to create water resources to facilitate year-round production particularly in agriculture and small scale industry. Other interventions included a Local Contractors' Program that seeks to support local content in the infrastructure sector and leveraging partnerships with the FinTechs to improve access to credit by the last mile borrower.

LOOKING AHEAD

In furtherance of its strategic plan, the Bank has set itself to achieve varied milestones in 2022 and beyond, and these include:

- Championing the implementation of an industrialisation strategy for capital intensive and knowledge based industries
- Optimizing the value-chain for strategic crops as a means of alleviating hunger and poverty;
- Accelerating access to finances for SMEs, women and youth through the Bank's special programs strategy;
- Leveraging strategic partnerships, and growing/ maintaining proactive stakeholder engagement to enhance the Bank's visibility and reputation
- Optimizing organizational efficiency and service excellence through among others the adoption a holistic customer-centric and relationship management model, an enhanced service response, innovative digital solutions and through leaner processes;
- Improving the tracing, reporting and communication of Development Impact; and
- Championing institutional frameworks to further inculcate sustainability within the Bank's core.

APPRECIATION

On behalf of Management and staff, I convey our commendation to all our stakeholders who continued to support the Bank and its business through the challenging year. Your continued support fuels our resolve to do even more to improve the quality of lives of Ugandans.

I convey our sincere gratitude to the Bank's shareholders, the Ministry of Finance, Planning and Economic Development, for their endearing and unwavering support and guidance, for ensuring the Bank has an appropriate governance structure to superintend its strategy and operations, and for ensuring that the Bank secures the requisite funding to deliver its mandate.

We extend our appreciation to the Chairman and Board of Directors, for their oversight through the years, and for their continued unparalleled counsel that strengthens and promotes the Bank, and under whose leadership UDB continues to grow from good to great.

To all my colleagues, the Management team and entire staff at the Bank, I thank you all for the passion and commitment that you bring to work every day; its because of you that Bank lives on and continues to soar.

To our valued clients, we thank you for the opportunity you have given us to serve you; we appreciate you and will continue to deepen our partnership with you, as we continue to create improved lives in Uganda.

As we look forward to an impactful and fruitful 2022, I wish us all good tidings and Godspeed.

Ms. Patricia A. Ojangole
Managing Director

AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS

OPINION

I have audited the accompanying financial statements of Uganda Development Bank Limited for the year ended 31st December 2021 which comprise of the statement of financial position as at 31st December 2021, and the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows together with other accompanying statements for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of Uganda Development Bank Limited for the year ended 31st December 2021 present fairly, in all material respects, the financial position of Uganda Development Bank Limited as at 31st December 2021, and its financial performance and cash flows for the year then ended and are prepared in accordance with International Financial Reporting Standards (IFRSs) and requirements of the Companies Act of Uganda, 2012.

BASIS FOR MY OPINION

I conducted my audit in accordance with International Standards of Audit (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Uganda Development Bank Limited in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (IESBA Code), and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

MANAGEMENT RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of Uganda, 2012 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the bank's financial reporting process.


AUDITOR GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS.

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

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit.

OTHER REPORTING RESPONSIBILITIES

In accordance with Section 19 (1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements, that, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.


John F. S. Muwanga
Auditor General
6th April, 2022

STATEMENT OF COMPREHENSIVE INCOME

	Note	2021	2020
		Ushs '000	Ushs '000
Interest and similar income	8	112,914,907	72,062,342
Interest expense and similar charges	9	(3,658,440)	(4,162,653)
Net interest income		109,256,467	67,899,689
Net foreign exchange gains/(loss)	10	(564,144)	499,719
Fair value loss on investment property	22	(2,062,000)	(789,532)
Net loss on financial assets recorded at fair value through profit or loss	19	32,013	(16,051)
Other income	11	1,227,236	1,888,522
Net impairment loss on financial instruments	20(e)	(23,606,128)	(14,687,571)
Operating income after impairment losses		84,283,444	54,794,774
Personnel expenses	12	(17,230,537)	(13,473,317)
Depreciation and amortisation	23, 24	(968,206)	(774,760)
Other operating expenses	13	(8,531,347)	(8,882,641)
Profit before tax	14	57,553,354	31,664,056
Income tax expense	16(a)	(18,732,974)	(9,555,278)
Profit for the year		38,820,380	22,108,777
Gain on revaluation of property and equipment	23	1,359,778	
Deferred tax on revaluation gain	31	(407,933)	
Total comprehensive income net of tax		39,772,225	22,108,778
Basic/diluted earnings per share	15	388.20	221.09

STATEMENT OF FINANCIAL POSITION

	Note	2021	2020
		Ushs '000	Ushs '000
ASSETS			
Cash and cash equivalents	17	50,279,296	138,125,272
Deposits held in banks	18	325,095,998	380,610,389
Equity investments at fair value	19	143,297	111,285
Loans and advances	20	781,658,380	511,881,678
Staff loans and advances	21	5,823,741	6,207,271
Current income tax recoverable	16(b)	1,299,589	-
Other Assets	25	18,507,409	13,080,854
Investment property	22	32,089,000	34,151,000
Property and equipment	23	6,774,147	5,152,592
Intangible assets	24	429,903	483,723
Total assets		1,222,100,760	1,089,804,064
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	33	100,000,000	100,000,000
GOU capital contributions	34	797,983,313	693,873,246
Kuwait Special Fund	28	31,222,552	31,222,552
Asset Revaluation reserve	35	2,563,242	1,203,464
Retained earnings	43	123,306,137	84,485,757
Total equity		1,055,075,244	910,785,019
Liabilities			
Amounts due to Bank of Uganda	26	10,352,531	16,321,890
Borrowings	27	114,826,602	124,682,155
European Union grant	30	5,645,511	7,125,873
UNCDF fund	29	2,562,003	2,490,371
Deferred income tax liability	31	1,061,594	2,747,128
Current income tax payable	16 (b)		724,052
Other liabilities	32	32,577,275	24,927,576
Total Equity and Liabilities		1,222,100,760	1,089,804,064

The financial statements were approved by the Board of Directors on 12th March 2021 and signed on its behalf by:

Mr. Felix Okobi

Mr. Henry Balwanyi Magino


Chairperson


Director

PROFITABILITY FOR THE YEAR

The Bank realized a profit of Ushs 38.83 billion in 2021, representing a 76% growth from the Ushs 22.1 billion realized in 2020 on the back of continued growth in capitalization coupled with a sustained increase in investment in interest earning assets, notably, loan disbursements to development projects.

Financial sustainability remains a priority for the Bank in its efforts to drive socio-economic development in the Country.

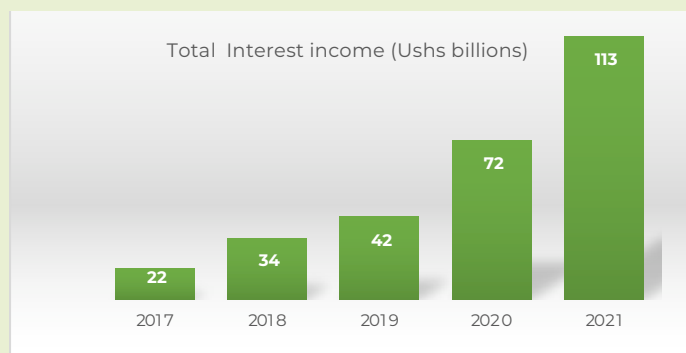
In its efforts to remain financially sustainable in the foreseeable future, the Bank has ramped up digitalization of its operations to increase efficiency and enhance operational excellence, is fast tracking the implementation of the capitalization strategy, and seeking innovative ways of raising financing to invest in SMEs, youth and women programs and large-scale projects with high potential for development impact on the economy.

Credit Risk Management including resultant expected credit losses on the Bank's financial assets will continue to be key in ensuring our financial sustainability.



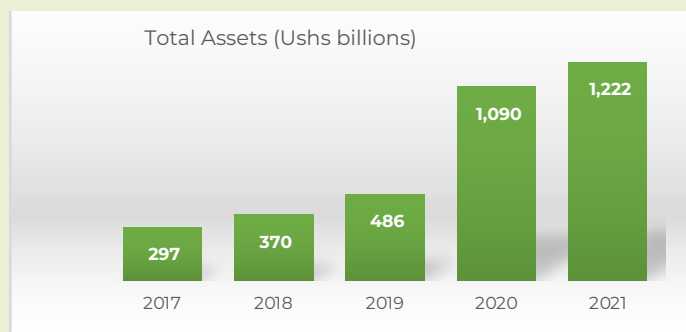
INTEREST INCOME

Interest and fee income grew by Ushs 40.8 billion (57%) in 2021 mainly as a result of a 53% growth in loans and advances.



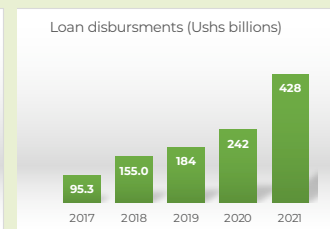
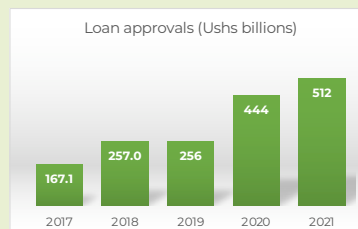
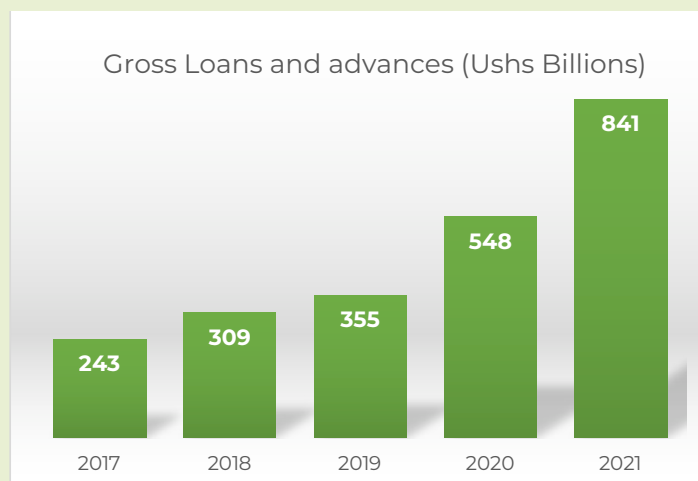
TOTAL ASSETS

The Bank's total assets increased by 12% from Ushs 1,090 billion to Ushs 1,222 billion. This was attributed to increase in the Government of Uganda capitalization and profitability.



GROSS LOANS AND ADVANCES

Gross loan and advances increased by Ushs 269.8 billion during the year compared to a growth of Ushs 177 billion in 2020. Ushs 428.2 billion was disbursed to projects in 2021 compared to Ushs 242.3 billion in 2020 representing a 77% growth in disbursements.

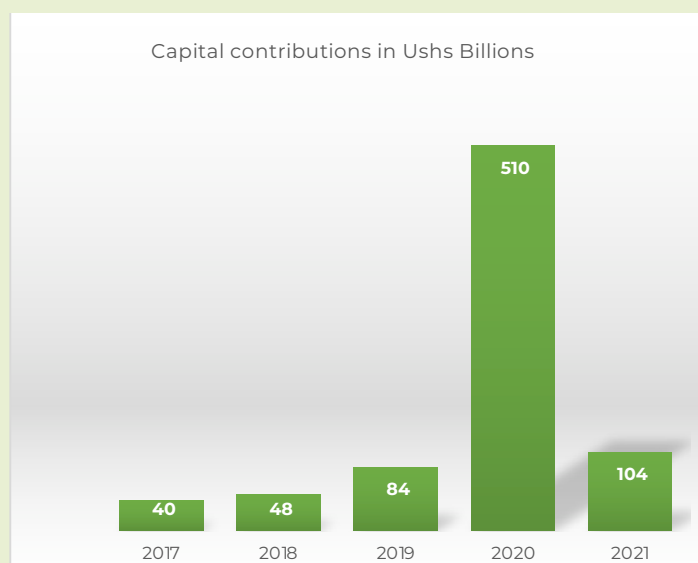


DEPOSITS HELD IN BANKS

The deposits held in banks are fully committed to projects that are implemented in a phased manner. As at 31st December 2021, the value of projects that were appraised and approved but not yet disbursed (due to the phased disbursement/financing structure of projects) was Ushs 325 billion; the bulk of this money will be disbursed in the year 2022.

GOVERNMENT OF UGANDA CAPITAL CONTRIBUTION

The Government of Uganda capitalized the Bank with Ushs 104 billion in 2021. The capital contributions remain key in facilitating the growth in the Bank's loan portfolio.



SOCIO-ECONOMIC DEVELOPMENT OUTCOMES 2021

The Bank's investment activities created the following socio-economic outcomes.

41,338
Jobs

JOBS CREATED & MAINTAINED



2.45
Trillion

TURNOVER (UGX)



314
Billion

PROFITABILITY (UGX)



405
Billion

FOREX EARNINGS (\$US)



84
Billion

TAX CONTRIBUTION (UGX)



EMPLOYMENT COMPOSITION

Employment Composition	2020	2021
Male	11,234	31,871
Female	3,698	9,467
Youth	10,186	25,165
PWDs	14	288
Number of employees earning above poverty line	9,149	32,189

EMPLOYMENT, GENDER AND SOCIAL INCLUSION



36%

Share of female employees in the senior management team



62%

Share of youth employees



290 PWDs

People With Disabilities employed in the different enterprises supported by the Bank in 2021



33%

Shareholding by women



35%

Women representation on board

SOME OF UDB FUNDED PROJECTS



With support from UDB, this factory located in Kitoba-Hoima has installed a 750TCD sugar mill complete with a 2MW co-generation plant, created 2,000 jobs including 420 direct jobs, supporting 1,340 maize out-growers and 152 sugar cane out-growers.



UDB supported this Ugandan agribusiness entity located in Northern Uganda, to acquire a modern plant with state-of-the-art grain handling and processing equipment, increasing its holding capacity to 7,500 metric tons. The project works with over 20,000 smallholder farmers in Lango and Acholi sub-regions.



KEY STAKEHOLDER INTERVENTIONS 2021

PICTORIAL



Ambassador of Uganda to Germany, Amb. E. Marcel Robert Tibaleka (centre) receives the Sustainability Leader of the Year Award on behalf of UDB. The award was presented by Mr. Arshad Rab, Chairman of the International Council of Sustainability Standards & CEO European Organisation for Sustainable Development - EOSSD (Right) and witnessed by Mr. Tom Hoyem, Board Member, International Council of Sustainability Standard.



UDB Management delivers a presentation at one of the various engagements with committees of Parliament.



UDB Shareholders and the Board at the Annual General Meeting held on 7th May 2021 in Kampala.



Officials from AfDB led by Mr. Amos Cheptoo (3rd Right), the AfDB Executive Director, during a visit to the Afroplast Enterprises Ltd in Luzira, Kampala. Also in the picture are officials from UDB and Afroplast.



The Minister of Finance, Planning & Economic Development, Hon. Matia Kasajja flanked by UDB Officials and heads of partner institutions, presides over the launch of the UDB Special Programs – a specialized proposition that aims to improve access to credit for SMEs, Women and Youth enterprises.