



Powering Uganda's Economy:



2024 Regional Bank of the Year - East AfricaAfrican Banker Award









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Definitions

VALUE OF OUTPUT:

This is the market value of all goods and services produced by the UDB funded projects during the financial year.

TAX CONTRIBUTION:

Refers to the annual direct taxes paid by funded projects in form of corporation tax.

FOREIGN EXCHANGE EARNINGS (FOREX):

Refers to the foreign currency generated by funded projects expressed as Uganda Shillings equivalent. The foreign currency generated includes earnings arising from the export of goods and services.

JOBS CREATED AND MAINTAINED:

Refers to the total number of permanent and temporary workers employed by funded projects and are paid a wage or income.

PROFIT FOR THE YEAR (UGX):

Annual income statement profit attributable to ordinary shareholders, minorities and preference share-holders.

EARNINGS PER SHARE (UGX):

Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

RETURN ON ASSETS (%):

Earnings as a%age of total assets.

NET INTEREST MARGIN (%):

Net interest income as a%age of annual gross interest on loans.

YIELD ON LOANS (%):

Total interest income as a%age of annual average total loans.

DEBT TO EQUITY RATIO (%):

Total debt as a%age of total equity.

NET ASSET IMPAIRMENT RATIO (%):

Provision for credit losses per the income statement as a%age of closing net loans and advances.

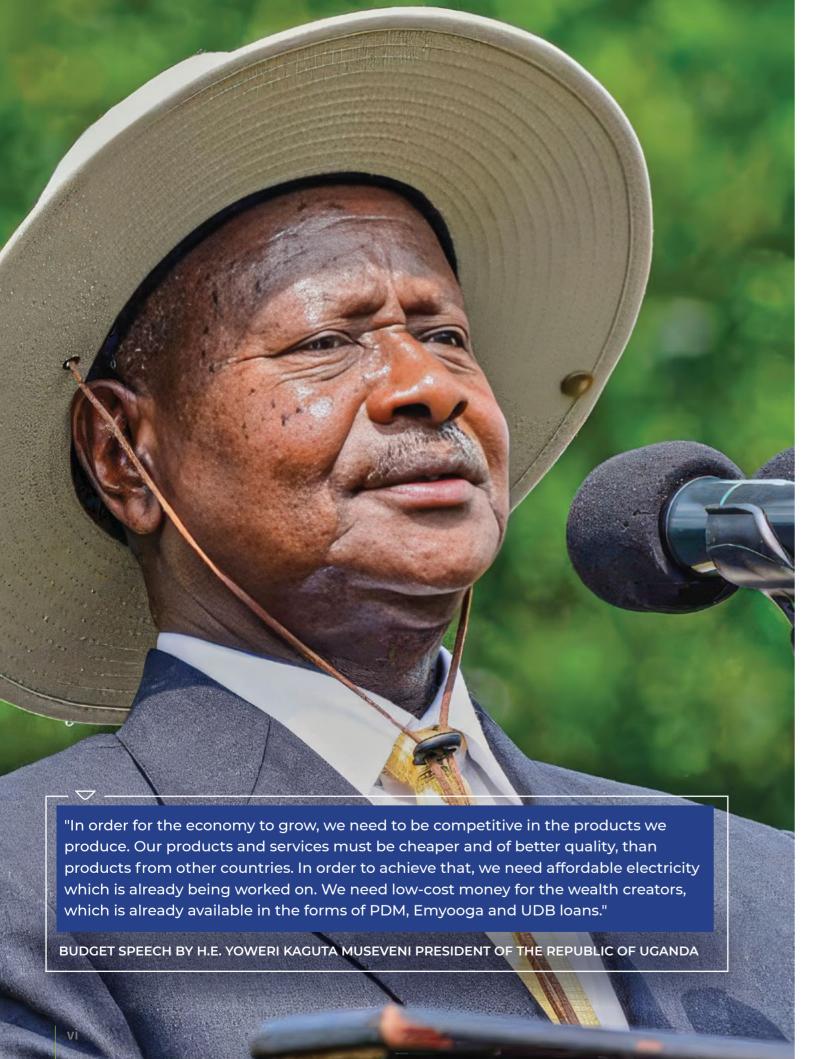
COST-TO-INCOME RATIO (%):

Operating expenses, excluding provisions for credit losses, as a%age of total income.

Abbreviations and Acronyms

- **AADFI** Association of African Development Finance Institutions
- AfDB African Development Bank
- **AGM** Annual General Meeting
- **BADEA** Arab Bank for Economic Development in Africa
- BARC Board Audit and Risk Committee
- **BASE** Business Accelerator for Successful Entrepreneurship
- **BCC** Board Credit Committee
- **BSPC** Board Strategic Planning Committee
- **BEIC** Board Equity Investment Committee
- **DFI** Development Finance Institution
- **EDP** Enterprise Development Programme
- **E&S** Environmental and Social Management Framework
- **EOSD** European Organisation for Sustainable Development
- **ERM** Enterprise Risk Management
- **EU** European Union
- **EVP** Employee Value Proposition
- **EXCO** Executive Committee
- **GDP** Gross Domestic Product
- IDB Islamic Development Bank
- **IFRS** International Finance Reporting Standards
- MD Managing Director
- **MoU** Memorandum of Understanding
- NDP National Development Plan
- NPA National Planning Authority
- **PSC** Private Sector Credit
- **SDG** Sustainable Development Goals
- **SME** Small and Medium Enterprise
- **SSCI** Sustainability Standards and Certification Initiative
- **UDB** Uganda Development Bank Limited
- **UNCDF** United Nations Capital Development Fund
 - **UGX** Uganda Shillings

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Foreword from the Minister of Finance

In 2024, Uganda's economy continued to demonstrate resilience following a slowdown in growth occasioned by the devastating impact of the COVID-19 pandemic. Uganda's economy recorded 6.1% growth in FY 2023/24, from 5.3% the year before.

This growth remained broad-based but was mainly driven by the services and industrial sectors. Uganda's medium-term outlook remains broadly positive, with real GDP growth projected at 6.2% in FY2024/25.

This Annual Report by Uganda Development Bank comes at a critical time when the Fourth National Development Plan (NDPIV) is being rolled out. NDPIV aims to achieve higher household incomes, full monetization of the economy, and employment for sustainable socio-economic transformation. This will be achieved through Sustainable Industrialisation for Inclusive Growth, Employment, and Wealth Creation.

I am pleased to see that UDB's 2024 interventions were aligned with the strategic objectives as outlined in the country's development plan, among them; supporting the private sector to drive growth and create jobs; sustainably increasing production, productivity and value addition in agriculture, industry, minerals, oil & gas, tourism, ICT and financial services.

An analysis of the Bank's 2024 sectoral project approvals by volume shows that most loan approvals were allocated to primary agriculture, followed by manufacturing projects. Regarding projected socioeconomic impact, manufacturing is projecting higher jobs, turnover, and tax contributions, while agroindustry is projecting higher forex earnings of UGX 820 hillion

These indicators are consistent with the government's goal of doubling Uganda's Gross Domestic Product (GDP) in the next five years and attaining 10-fold growth in the next 15 years. The desired outcome is to grow the country's GDP by 10.1% in Financial Year 2029/30 from 6.6% in Financial Year 2024/25.

UDB is critical in realizing the government's development goals for the country. Through UDB, the government



continues to support private businesses by reducing the cost of credit and providing long-term and patient capital.

The private sector contributes significantly to economic development. It drives demand for goods and services, propelling investments, domestic and external trade, job creation, and innovation.

I am equally impressed by UDB's strides in creating specialised interventions such as green financing.

As part of it's commitment to continuing to facilitate socio-economic transformation, the Government of Uganda continued to support the Bank's capital base with additional capital contributions totalling UGX 80.7 billion in 2024, bringing the cumulative capitalisation to UGX 1.46 trillion, up from UGX 1.32 trillion in 2023.

I would like to express my appreciation to the board of directors, management, and staff of UDB for steering the Organisation and creating this socioeconomic impact.

Further appreciation goes to development partners and funders for continuing to facilitate the Bank in its quest to improve the quality of life of Ugandans.

Matia Kasaija

Message From State Minister for Investment and Privatisation



he government's resolve to address the challenges of access to private sector financing remains firm. The government has deployed a multi-faceted approach, including policy and regulatory frameworks, subsidies, public infrastructure investment, supporting innovation, political stability, and human capital development.

This Annual Report reflects on Uganda Development Bank's (UDB) achievements over the past year and reaffirms its commitment to the sustainable development of Uganda's economy.

According to the Report, the Bank's primary mission remains to empower businesses, particularly small and medium enterprises (SMEs), which are the backbone of our economy. Through targeted financing and support initiatives, UDB has worked diligently to ensure that these businesses are well-positioned to thrive, contributing to economic growth, job creation, and socio-economic development.

In 2024, the Bank actively sought fundable projects to expand its reach and impact. It was able to source new business worth UGX 737 billion in fundable pipeline

projects that meet the Bank's minimum requirements. This pipeline presents an opportunity to create new businesses or expand existing ones, which creates employment opportunities. More jobs lead to higher household incomes, improved living standards, and reduced poverty.

UDB's strategic focus on agriculture, infrastructure, and industrial development has yielded positive outcomes. The UGX 106.3 billion in loans approved by UDB for 70 projects in primary agriculture and agroindustrialisation will go a long way in enhancing their attractiveness. These 70 projects will also create 6,716 (projected) jobs, UGX 1.9 trillion in output value, UGX 349 billion in profitability, UGX 85.5 billion in tax revenue, and \$260.5 million in foreign exchange.

Supporting these private enterprises will also drive innovation, helping the country move up the value chain and diversify its economy. Similarly, as private businesses grow and become profitable, they contribute to the tax base. This provides the government with revenue that can be used for public services such as education, healthcare, and social welfare programmes.

The role of affordable and patient finance in catalysing inclusive, sustainable, and long-term economic development cannot be overemphasised. It's not just about making money available-it's about making the right kind of money available, in the right way, to those who need it most.

I express my deepest gratitude to UDB's dedicated staff, board members, and customers for their unwavering commitment and hard work. They are paving the way for a prosperous future for Uganda, and I am confident that the Bank will continue to rise to the challenges ahead.



Evelyn Anite



Who we Are

The Uganda Development Bank Ltd (UDB) was established by the Government of Uganda (GoU) to promote the country's socio-economic development by undertaking specific objectives stated in its mandate.



Our Mandate

To operate as Uganda's Development Finance Institution, particularly through interventions in priority sectors and in line with the Government of Uganda's development priorities



UDB objectives

- · Profitably finance viable economic development in key sectors.
- · Provide finance in the form of short, medium and long term secured loans.
- · Acquire shareholding in viable businesses: and
- · Make funds available for reinvestment.

The National Development Plans (NDPs) identify priority sectors and key public and private delivery partners that will drive the achievement of the country's strategic objective of attaining high middleincome status by 2040.

As a development bank, it is recognised by the government that UDB

is one of the key entities in implementing the interventions outlined in the NDPs, particularly those that relate to the provision of affordable finance to facilitate and catalyse private sector investment and support the growth and development of SMEs. UDB is, therefore, a key player in promoting private sector development.

Purpose



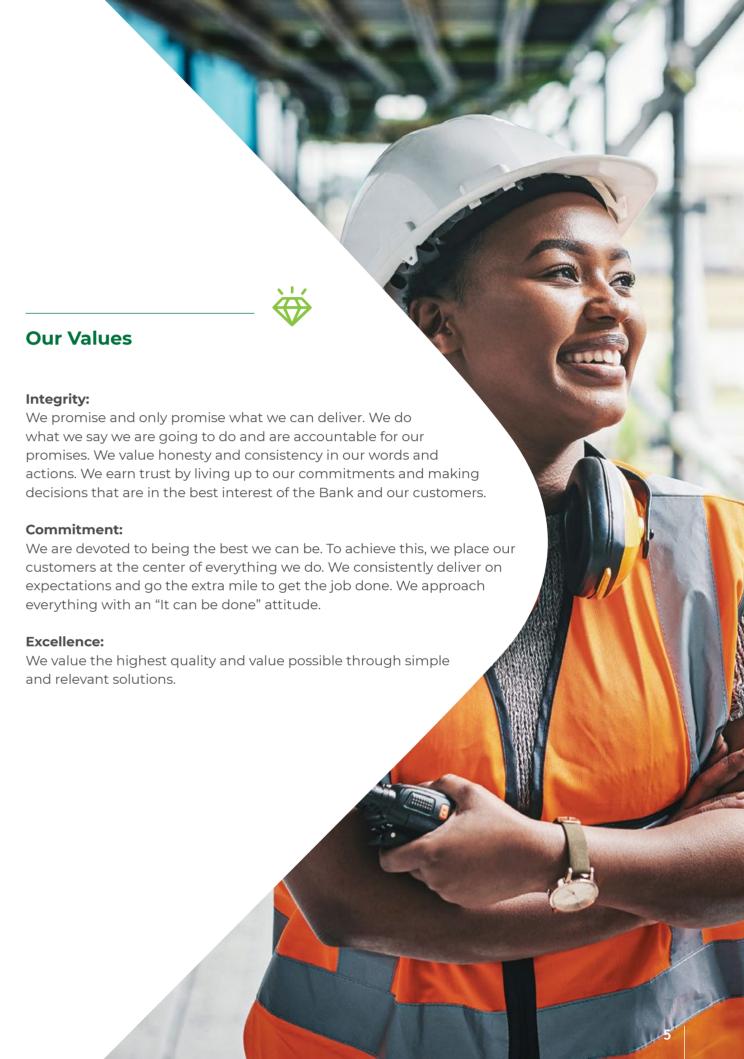
Our Mission

To accelerate sustainable socio-economic transformation through innovative financial and non-financial solutions



Our Vision

At the forefront of sustainable socio-economic development in Uganda



Our High Impact Goals

Goal 1:



To Build a Sustainable Agrifood System for Uganda

Under this goal, UDB focuses on supporting the entire agriculture value chain, encompassing the full range of activities in the primary production of food and non-food agricultural products, as well as their storage, aggregation, post-harvest handling, transportation, processing, distribution, and marketing.

GOAL 2:



To Promote Sustainable Industrialisation in Uganda

The Bank supports the country's industrialisation in creating a competitive and innovative economy. It supports small, medium, and large size industries to boost value addition, thereby improving Uganda's industrial base and increasing the value of industrial exports and earnings Specific sectoral interventions include the following:-

Agro-industrialisation: UDB supports secondary production processes aimed at value addition to agricultural produce, leveraging the growing local market of Agro-manufactured products and fully exploiting the opportunities available in international markets through export promotion.

Manufacturing: This is part of industry which does not utilize agricultural produce as raw materials. The Bank's focus in this sector extends to financing the local production of essential goods as a precursor to achieving import substitution, and value addition to locally produced products as a foundation for export promotion. In this sector, the Bank shall focus on 2 major sub sectors shown below.

- Knowledge-based Industries: These are considered the backbone of the new economy due to their vast potential to accelerate national development. The subsector consists of the Pathogen economy, Electronics and Automotive Industry (Including Electric mobility) among others. The Bank aims to give impetus to these industries by developing appropriate financing modalities and supporting viable projects that demonstrate significant socio-economic value.
- Extractive Industries: In this sub-sector, the Bank's focus is to add value to Uganda's vast mineral wealth to produce critical goods that shall reduce importation and promote export. Uganda's vast mineral resources include; Iron Ore, Oil and Gas, Gold, Phosphate, Limestone, Copper, Rare Earth Minerals, Tin, Pozzolana among others. To facilitate growth within this sub-sector, the Bank supports investments in extraction and value addition to these minerals in Uganda.

Goal 3:



To Develop a Sustainable Services Sector

Being the largest contributor to GDP, the services sector presents huge economic opportunities for Uganda's development and in creating gainful employment. Through this goal, the Bank supports the following subsectors:-

Tourism: The Bank supports private sector players to increase the stock and quality of tourism facilities, and developing a pool of skilled personnel along the tourism value chain.

Education: The Bank works in collaboration with both Government and the Private Sector in advancing the development of skills relevant to the key growth sectors to increase labour-force productivity, creating a workforce that is skilled and with better paying jobs. This comprises among others; supporting the establishment or refurbishment of institutions for skills development in scientific research, innovation, technology, and skills in new and emerging industries that are pivotal in addressing the constraints of sustainable development.

Health: The Bank's focus remains on supporting the establishment of infrastructure that enhances access to quality healthcare services.

Science, Technology, and Innovation (STI): Working in partnership with the STI Secretariat, the Bank supports government's efforts to finance commercialisation of viable scientific research innovations









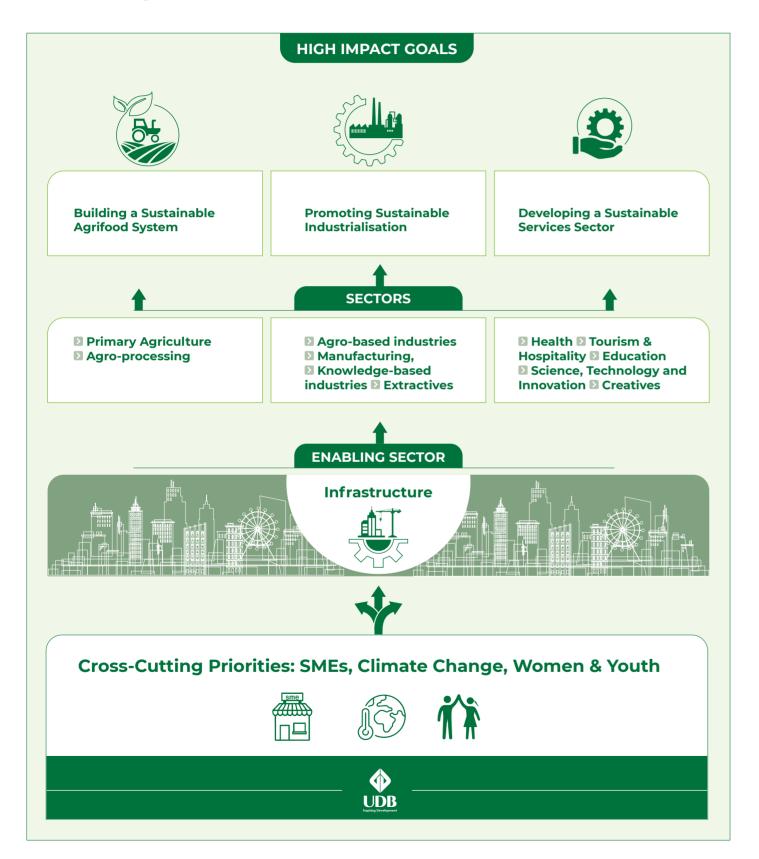




At UDB, our purpose is to improve the quality of life of Ugandans through interventions in:

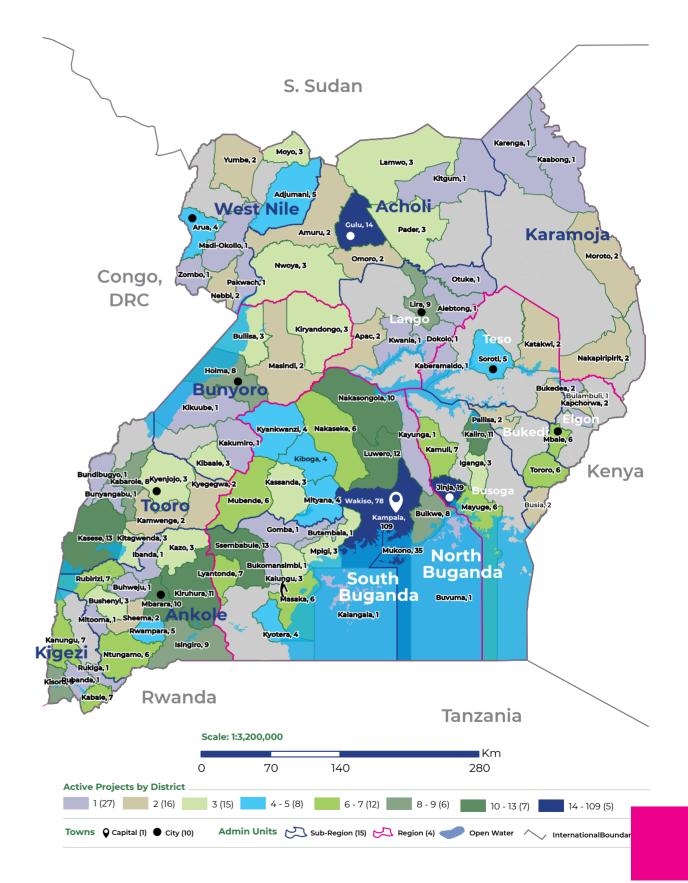
Agriculture, Industry, Tourism & Hospitality Education, Health Services and Infrastructure

Delivering our High Impact Goals through Priority Sectors



Our Footprint

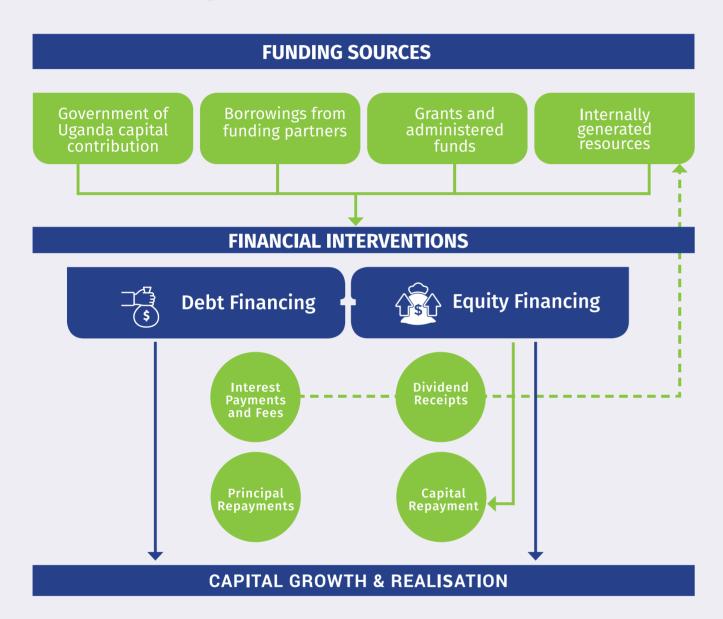
Coverage of active projects funded by UDB across Uganda by 31 December 2024



Products and Services

		FINANCIAL INTERVENT	TIONS				NON FINANCIA	L INTERVENTIONS
		Term loans	Asset finance	Trade finance	Equity investment	Project finance	Business accelerator	Project preparation
(<u>()</u>	Key features	Loans for capital investments	Aimed at supporting enterprises acquire income generating assets to support business cashflows	Short-term finance for existing and operational enterprises			Advisory services pertaining to: • Management best practices • Good governance	Support throughout the entire project development cycle Identification Conceptualisation Feasibility studies
(f)	Tenors	1 to 15 years Inclusive of grace period (up to 3 years) depending on the project requirement	4 to 8 years Inclusive of grace period (up to 3 years) depending on the usable life	Revolving in nature with repayment cycles up to 120 days	UDB will be a shareholder for a maximum of 10 years	flow arising from the creation of the project's assets, plus the realizable value of the assets themselves.	Record keepingFinancial management	Financial and legal structuring
		SPECIAL Programmes	KEY FEATURES				HIGHLIGHTS	
		SME Kazi Loans	Women Prosper Loans		Youth Step -Up Loan	s	A fast-tracked app	lication process
(P)	Key features	 Facilities offered on concessional terms Business advisory for SME growth SMEs with up to UGX 360m turnover 		concessional terms businesses led and owned cing goods and services for	 Financing solutions at development solution Qualifying entities muowned with over 30% and have more than 3 employees 	ust be youth- shareholding	plan 2. Required docum Business registra	in lieu of a business ents checklist include: ation records , liabilities, revenues

Our Funding Model



Proceeds from this funding are used to repay borrowings, cover operational costs and grow our balance sheet to re-invest in other development projects.

Our Operating Model

CAPITAL	HOW THE RESOURCE IS USED TO ENABLE OUR BUSINESS MODEL	CATEGORY	ACTIVITIES
FINANCIAL CAPITAL Capital contributions from the Government of Uganda Principal and Interest repayments from loans Borrowings from development partners Dividends and capital profits from equity investment Fees from project preparation and business advisory services SOCIAL CAPITAL Network of entrepreneurs, clients and project partners. Government ties Other funders and development partners HUMAN CAPITAL Our staff INTELLECTUAL CAPITAL Industry-specific and macro-economic research Knowledge gained through our experience Due-diligence, credit granting, and post-investment processes. MANUFACTURED CAPITAL IT infrastructure and systems. NATURAL CAPITAL Upholds strict environmental standards	 Extending new loans Making new equity investments Repaying borrowings Cover operating expenses Sourcing projects to finance Developing and co-investing projects Leveraging our balance sheet to increase the impact Partnering to implement the strategy Generating investment income Assessing funding applications Monitoring and managing our portfolio and all other aspects of our business Developing strategies for the development of key priority sectors Providing inputs to government policy formulation Identifying and managing risk in the businesses that we fund Improving our processes Connecting with our key stakeholders Monitoring carbon emissions of projects we invest in and their environmental policies Providing funding that reduces companies' impact on the environment 	ACTIVITIES DIRECTLY RELATED TO PROVISION OF FUNDING ACTIVITIES SUPPORTING THE DEVELOPMENT IMPACT OF OUR BUSINESS ACTIVITIES DIRECTLY SUPPORTING SUSTAINABILITY OF OUR BUSINESS CROSS- CUTTING SUPPORTING ACTIVITIES	 Sourcing and managing loans and other funds at the lowest possible cost to pass on these benefits to our clients Assessing the viability of business plans Providing funding to potentially viable businesses Developing and funding projects in key priority sectors Sourcing partners for development projects Providing non-financial support to entrepreneurs Developing and managing specialized funding products to address specific development outcomes Undertaking sectoral and economic research Participating in government and private sector development initiatives Supervision and monitoring of projects Managing our portfolio of loans and investments to ensure that we collect principal, interest and dividend payments Assets and Liabilities management Human capital management Business technology Strategy management Governance, compliance and legal services Enterprise risk management Stakeholder management Procurement Business advisory



CHAIRMAN'S STATEMENT



he year 2024 marked a significant turning point for the Uganda Development Bank (UDB), as it successfully concluded the implementation of its 2020–2024 Strategic Plan and prepared for the next chapter in its institutional journey. As Uganda's primary development finance institution, the Bank continued to live up to its policy mandate, providing catalytic financing and enterprise support that facilitates sustainable and inclusive economic transformation.

Amidst a more optimistic global and domestic economic environment-evidenced by Uganda's GDP growth rising to 6.4% from 6.0% the previous year-UDB demonstrated resilience and responsiveness. On the backdrop of positive macroeconomic indicators, the Bank capitalized on emerging opportunities to deepen its developmental impact across all regions of Uganda.

On behalf of the Board of Directors, I am honoured to share highlights of UDB's performance for 2024, a year characterized by sustained momentum, prudent stewardship, and transformational impact.

Anchoring Growth on Strong Fundamentals

- The Bank continued to build on the strong foundation laid over previous years, registering a 7% annual uptick in total assets, to close at UGX1.78 trillion. This growth was underpinned by the ongoing support from the Government of Uganda and prudent capital management, which strengthen the Bank's investment capacity and its long-term sustainability.
- The Bank expanded its gross loan book to UGX 1.53 trillion, reinforcing its commitment to financing impactful development initiatives. The Bank's profitability improved by 16% year-on-year, a testament to the Bank's efficient, lean operating model and disciplined execution.

Delivering on the Development Mandate

UDB's 2024 results reflect not just sound financial management, but more importantly, the Bank's unwavering commitment to delivering tangible socioeconomic impact. Over 55,000 jobs were created or maintained through the Bank's financing-of which a considerable share benefitted the youth (nearly 60%) and women (31.3%).

The Bank also made bold strides in addressing structural challenges to enterprise growth through targeted institutional interventions including launching its inaugural incubation program and through various project preparation activities. These interventions are essential in de-risking enterprise financing, enhancing bankability, and driving entrepreneurial resilience, particularly among SMEs.

Looking to the Future

As the Bank brings to a close its 2020–2024 Strategic Plan, it now looks forward to a new planning horizon for 2025–2029. This forthcoming strategic cycle will align with Uganda's fourth National Development Plan (NDP IV), Uganda's Ten-Fold Growth Strategy and Vision 2040, with a sharpened focus on transforming Uganda from a low-income to a middle-income economy.

The Board remains steadfast in steering the effective execution of the Bank's strategy, ensuring that UDB stays agile, relevant, and aligned with Uganda's evolving development priorities. Our strategic intent is clear and unchanged: to catalyse enterprise growth, accelerate industrialisation, and enhance the quality of life for all Ugandans.

On behalf of the Board of Directors, I extend our sincere gratitude to His Excellency the President of the Republic of Uganda, Gen. Yoweri Kaguta Museveni, for his confidence in the Bank's work and for his unwavering support of its mandate.

We also thank the Bank's shareholders, the Minister of Finance, Planning and Economic Development, Hon. Matia Kasaija, the Minister of State for Privatization and Investment, Hon. Evelyn Anite, and the entire team at the Ministry of Finance for their steadfast commitment to strengthening UDB.

I commend the Managing Director, Dr. Patricia Ojangole, and her Executive and Management teams, for their tireless pursuit of excellence in the delivery of the Bank's mission. To the Bank's staff across all levels, I express the Board's deep appreciation for your diligence, innovation, and service.

Finally, I wish to thank my fellow Directors on the Board for their dedication, foresight, and stewardship, which continue to guide the Bank in its transformative journey.

As we move into a new strategic era, we do so with renewed optimism and resolve-committed to ensuring that Uganda Development Bank continues to be a powerful instrument for unlocking Uganda's full economic potential.

Geoffrey T. Kihuguru

Chairman, Board of Directors



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To the Bank's staff across all levels, I express the Board's deep appreciation for your diligence, innovation, and service

Governance Statement

Overview

The Board of Directors and Management remain committed to ensuring that the Bank's operations and processes are executed fairly, accountably, and transparently.

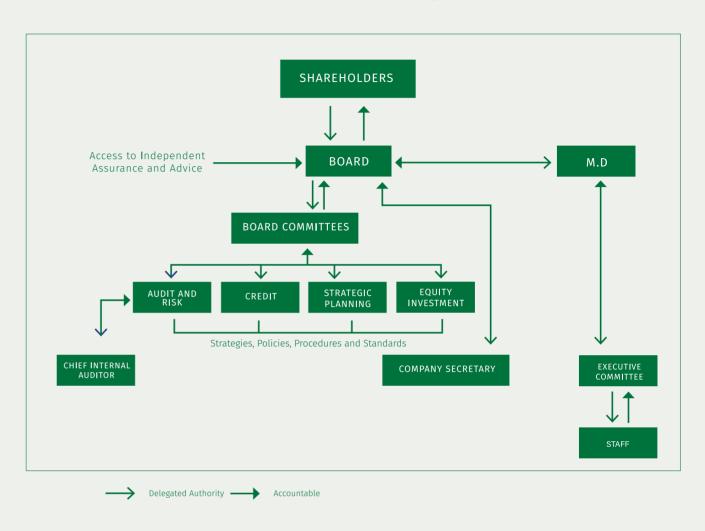


△ The UDB Board of Directors as of 31 December 2024

A dherence to sound governance practices is critical in protecting the Bank's interests, enhancing shareholder value, attracting the right human capital and investment/development partners,

maintaining goodwill with all stakeholders, and fostering public confidence in the Bank's product and service offering.

Uganda Development Bank's Corporate Governance Structure and Division of Responsibilities at a glance



Board of Directors

The Board of Directors is the highest decision-making body in the Bank and is empowered by the Articles of Association to manage the company's affairs. The directors are accountable to the shareholders for the company's performance and management. There is an established Board Charter that stipulates the Board's authority, responsibility, membership, operating guidelines, and the relationship between the Board and the Company's management.

Role of the Board

Effective leadership of the Board ensures the growth of the business.

The Board is responsible for setting the strategic direction of the Bank, in a manner that maximises shareholder value over the long term and oversees the implementation of the Bank's mandate to improve the quality of life of Ugandans. The Board's mandate is guided by the schedule of matters reserved for the Board as prescribed in the Board Charter.

The Board approves the Bank's Strategic Plan and budget as well as ensures resources are available for the implementation of the strategy. The Board is responsible for the appointment, removal, remuneration and performance review of the Executive Committee, maintaining a sound system of risk management and internal controls, which provide reasonable assurance on the achievement of organisational objectives. The Board ensures adequate processes/operations are in

place, the Bank is ethically operated and complies with all relevant laws, regulations, codes of business practice, and good corporate governance practices.

The Board also approves the Bank's policies, sanctions any amendments or waivers thereof, and approves the financial statements. The Board is responsible for establishing a Communications Policy and overseeing the process of disclosure and communication.

Delegated authority to the Managing Director

There is a clear division of responsibility between the Board and Executive Management. The Board has delegated authority for the day-to-day operations of the Bank to the Executive Committee under the stewardship of the Managing Director. The Managing Director remains accountable to the Board for the effective management of the business and actions delegated including but not limited to the development and implementation of strategic and business plans,

preparation of annual budgets, implementation of policies, management of the Bank's risk profile in line with the Risk Appetite and ensuring appropriate internal controls are established and implemented to safeguard the Bank's assets and resources. The Managing Director is the Chief Spokesperson and communicates the Board's expectations to various stakeholders.

Board Structure and Composition

Appropriate structures are in place to govern the business effectively. The size of the Board of Directors is articulated in the Articles of Association. The Board is composed of 7 members, 6 of whom are non-executive directors and one executive director (Managing Director).

BOARD STRUCTURE AND COMPOSITION											
В	Board of Directors	Board Credit Committee	Board Strategic Planning Committee	Board Audit and Risk Committee	Board Equity Investment Committee						
fc B	Responsible or the Bank's overall performance.	Considers and approves Credit transactions within the Committee's threshold and oversees credit risk management.	Oversees the strategic direction and performance of the Bank, compensation policies, human resourcing plans, communication and business technology matters as well as knowledge management.	Monitors the adequacy of financial controls and reporting, liquidity, internal control environment, and enterprise risk management.	Oversees the Bank's equity asset portfolio and all equity activities including approval of investment projects.						

	Full Board	Board Credit	Board Strategic	Board Audit	Board Equity
	Meeting	Committee	Planning Committee	and Risk Committee	Investment Committee
Number of meetings	8	11	6	6	6
Mr. Felix Okoboi***	7***	N/A	N/A	N/A	N/A
Mr. Francis Tumuheirwe***	8	N/A	N/A	4	5**
Mrs. Rita Akot Apell	8	N/A	6**	6	N/A
Mr. Joe Busulwa Kayongo	8	1]**	N/A	N/A	6
Dr. Albert Richards Otete	5	N/A	N/A	5**	N/A
Mr. Bob Bonabo Munene	5	11	6	N/A	N/A
Mrs. Patricia Ojangole	8	9	5	N/A	4
Mr. Geoffrey Kihuguru*]**				
Dr. Theodora Twongyirwe Mondo*	1			1]**

Committee membersh	ip and number of	meetings attende	ed		
	Full Board Meeting	Board Credit Committee	Board Strategic Planning Committee	Board Audit and Risk Committee	Board Equity Investment Committee
Number of meetings	8	11	6	6	6
Mr. Felix Okoboi***	7***	N/A	N/A	N/A	N/A
Mr. Francis Tumuheirwe***	8	N/A	N/A	4	5**
Mrs. Rita Akot Apell	8	N/A	6**	6	N/A
Mr. Joe Busulwa Kayongo	8	1]**	N/A	N/A	6
Dr. Albert Richards Otete	5	N/A	N/A	5**	N/A
Mr. Bob Bonabo Munene	5	11	6	N/A	N/A
Mrs. Patricia Ojangole	8	9	5	N/A	4
Mr. Geoffrey Kihuguru*	7**				
Dr. Theodora Twongyirwe Mondo*	1			1]**

^{**} Chairperson of the Meeting or respective committee

^{***} Retired from the Board (Mr. Felix Okoboi and Mr. Francis Tumuheirwe retired on 1st January 2025)

^{*}Joined the Board (Mr. Geoffrey Kihuguru and Dr. Theodora Twongyirwe Mondo joined on 2nd January 2025)

The Board recognises the contribution of the Non-Executive Directors who constructively challenge Management's ideas and proposals and evaluate their performance. The Non-Executive Directors provide independent thought and judgment to the deliberations and act in the company's best interests. Additionally, they develop proposals on

strategy and satisfy themselves with the integrity of financial information, internal controls, and risk management systems. The Managing Director ensures the implementation of the agreed strategy and Board resolutions/directives, and provides valuable insights and perspectives on the business at meetings, facilitating quality discussions and decision-making.

The Board is comprised of individuals with high integrity

who possess the wealth of experience, expertise, skills,

Strategy and High-Impact Goals. The individuals come

from diverse professions, backgrounds, and industries.

and independence required to deliver the Bank's

Board Expertise, Experience, and Diversity







ENDER

ETHINICITY

The Bank regularly reviews its directors' skills, experiences, and competencies, knowledge, as well as diversity requirements, to ensure the current and future strategic needs of the Bank are met.

The Bank regularly reviews its directors' skills, experiences, and competencies, knowledge, as well as diversity requirements, including age, gender, and ethnicity, to ensure the current and future strategic needs of the Bank are met. The Bank is also committed to an inclusive and diverse workforce across all levels of the organisation to create a better-performing team. These diverse attributes ensure a varied thought process during discussions, culminating in informed

collaborative and constructive discussion culture in the

and balanced decisions. It also contributes to a

boardroom

The Bank has positioned itself as a key driver for providing sustainable financing and development across the country and is implementing various standards under the Sustainability Standards and Certification Initiative (SSCI) version 2.0. The Bank continues to adopt a holistic approach to sustainability that aims to ensure the long-term success of the business while achieving high economic, social, and

environmental impact. The Sustainability standards recognise the importance of competencies and diversity required to achieve and maintain the status of a sustainability certified financial institution. They require the Board of Directors to assess its competency and diversity scope, which informs the Board of Directors' skills and diversity status.

Board Competency and Diversity Matrix

The Bank's Articles of Association stipulate the required skills for effective execution of the Bank's mandate and strategy including a good appreciation of social, economic development and environmental issues, Finance, Audit, Risk, Accounting, Legal, Compliance and

Corporate Governance, Human Resource and Labour relations, Strategy development and implementation, Private equity investments, Credit Risk Management, Corporate and project finance, Information Technology and Governance, Innovation and Agility.

The Board undertook a skills and diversity assessment to align with the requirements of SSCI on the following criteria:



A



В



C



Adequacy of the skills relevant to development banking, including credit and project management, risk management, finance, equity, strategy, human resource, legal, information technology, and an appreciation of social/economic matters.

Board development to enhance specific skills and maintain up-to-date knowledge. Succession planning to determine the skills required to operate in the future. Gaps to identify new skills necessary for delivering the Bank's mandate.



DIRECTOR'S NAME	DIF	RECTO	R'S I	EXPI	ERTI	SE									DIVE	RSIT	Y		
	Legal /Regulatory	Environmental, Climate & Natural Resources protection	Accounting & Auditing	Financial Services	Strategic Planning	Private Equity	Risk & Compliance	Human Resource & Labour Relations	Credit and Project Management	Corporate Governance	Information Technology & Digitalisation	Socio-Economic Development	Years of Professional Experience	Ethnicity or Religious Minority (Yes or No)	Number of Languages Spoken other than the main national language	Age	From Marginalised Community or Structurally Weak Region (Yes or No)	Disability (Yes or No)	Gender
1. Mr. Felix Okoboi													30	No	4	55	No	No	М
2. Mrs. Patricia Ojangole													23	No	3	46	No	No	F
3. Mr. Francis Tumuheirwe													40+	No	5	69	No	No	М
4. Mr. Joe Busulwa Kayongo													40+	No	1	75	No	No	М
5. Dr. Albert R. Otete													32	No	2	54	No	No	М
6. Mrs. Rita Akot Apell													23	No	1	51	No	No	F
7.Mr. Bob B. Munene													15	No	1	40	No	No	М

KEY		
Lemon Green tint	I do not have experience of any kind	None
Lemon Green	I have limited experience	Low
Blue	I have had line responsibility and feel fairly comfortable	Medium
Dark Green	This is my competence	High

The findings from the assessment revealed the following:

- i. The Board has a good balance of skill sets and experience.
- ii. The Board has 3 females and 4 males with an average of over 28 years of experience, the lowest being 15 years and the highest over 40 years.
- iii. The Board is balanced in age, ranging from 40 to 75 years, with an average of 55 years.
- iv. The directors are from different parts of the country
- v. None of the members hails from minority groups or marginalised/structurally weak regions.
- vi. The competency threshold requires all members to have moderate expertise and experience in the specialised skills indicated in the tool. The following

- material gaps were noted:
- Environment, climate, and natural resources protection – only 3 members were moderately skilled in climate-related matters.
- In legal and regulatory matters, three members had no experience. The Company Secretary, a professional lawyer and governance professional, continues to support the Board.
- Technology and digitalisation 3 members possess the experience.
- Diversity As of 31st December 2024, there were only 2 females. Following the appointment of Dr. Theodora T. Mondo, the Board has satisfied the requirement of 3 members (40%) of females prescribed in the Articles of Association.

To address the gaps, the Bank has developed an Annual Board Training and Development Plan. The Board also has the discretion to appoint Board Advisors who are Subject Matter Specialists to support them in discharging their duties effectively. As of 31st December 2024, the Board had access to independent advice from two Board Advisors who provided technical guidance to the Equity Investment Committee of the Board.

Director Appointments and Succession Planning

The Board Chairperson ensures the Board's composition is sufficient and balanced in terms of skills, experience, independence, and knowledge. He also ensures plans are underway for an orderly and seamless succession of the Board.

The recruitment process for a Non-Executive Director commences with a review of the Board of Directors' Skills and diversity matrix to establish gaps in the existing Board composition. A candidate profile is then prepared, and candidates who satisfy the desired skills and diversity set are searched. A shortlist of candidates with the targeted skill sets is submitted to the shareholders for consideration and decision. The shareholders can appoint a director from the shortlisted candidates or the market, provided that the appointed directors possess the desired skills and diversity sets.

Director appointments and re-appointments are a preserve of the shareholders and are formally done at the Annual General Meeting (AGM). Interim Board appointments conducted between AGMs are confirmed at the subsequent AGM as required by the Bank's Articles of Association. A director's formal appointment to the Board stipulates the key terms of engagement, which must be accepted before being on boarded. Non-Executive Directors must commit an appropriate amount of time to the company and demonstrate capacity to undertake the role where more than one directorship position is held. The company strives to ensure that its directors are not over-boarded.

Non-Executive Directors serve the Board for an initial term of three (3) years. Subject to satisfactory performance, they are eligible for re-election for one further term of three (3) years. Two (2) directors, Mrs. Rita Akot Apell and Mr. Joe Busulwa Kayongo, served an initial term of three years that expired on 15 February 2025. They are eligible for re-election at the 2024 Annual General Meeting. The Board reviewed the performance of the retiring directors and is satisfied that Mrs. Rita Akot Apell and Mr. Joe Busulwa Kayongo are committed

to the role and continue to perform outstandingly.

Following the appointment of the new Directors, Mr. Felix Okoboi and Mr. Francis Tumuheirwe formally retired from the Board after serving for 2 terms. Mr. Felix Okoboi was the Board Chairperson while Mr. Francis Tumuheirwe chaired the Board Equity Investment Committee and was a member of the Board Audit and Risk Committee.

The Bank appreciates the retiring directors for their outstanding contribution towards the Bank's efforts to inspire development in the country.

Special commendation is given to Mr. Felix Okoboi for his strategic leadership, vision and unwavering commitment to the Bank, which significantly ensured the Bank attained its mandate and objectives.



Induction and Professional Development

Newly on-boarded directors participate in a formal induction process which is either internally or externally facilitated and coordinated by the Company Secretary. The induction process enables the director's appreciation of the Bank's values, mission, vision, mandate, strategy, operations, governance, financial performance, internal controls and risks management and policies, operating environment, and any other developments. The induction program includes a face-to-face engagement with the senior management team and appreciation of policies, strategies, site visits to the Bank's premises and various projects, engagements with shareholders and key stakeholders as well as engagement with retiring directors.

The induction programme is regularly reviewed to ensure it remains adequate and considers relevant developments. To ensure the directors are effective with their role, the Bank structures the induction programme over the course of the year, with several activities namely, Board meetings, project site visits, training, strategy and business planning cascade sessions, strategy retreat sessions, Bank related conferences and engagements with key stakeholders. The company also provides Director Mentorship Programmes with the executive director and some members of Senior Management in a bid to improve the member's learning and understanding of the Bank business. Directors are also provided with regular briefings to ensure they are kept up to date with recent developments and emerging risks

The Chairperson with support from the company secretary regularly reviews directors' training needs and ensures appropriate development programmes are available for directors to update their knowledge and skills and make valuable contributions to the Bank. The Board approved a Training Plan for the year 2025 for the following topical issues: Project Finance and Development Finance, Sustainability Standards and Certification Initiative (SSCI). Environmental. Social and Governance. Green Finance and Climate Change. Artificial Intelligence, cybersecurity, IT Awareness and safety, Governance Trends, Geopolitics and its impact, Finance 4.0. Most of the training shall be conducted by in-house subject matter experts. Suffice, to note that these trainings shall be in addition to other external training identified by the directors.

Training undertaken during the reporting year included the corporate Board's approach to technology, strategies to prevent collapse of corporate and public sector organisations, Environmental, Social Governance and Sustainability excellence, best practices in the selection, appointments and composition of public sector boards, strategies for effective board membership, cybersecurity oversight in the wake of new and emerging threats, developing an ESG Strategy, making corporate boards more diverse and inclusive.



Newly onboarded directors participate in a formal induction process which is facilitated and coordinated by the Company Secretary.



The induction program is regularly reviewed to ensure it remains adequate and considers relevant developments.



The Board approved a Training Plan for Project Finance and Development Finance, Sustainability Standards and Certification Initiative (SSCI), Environmental, Social and Governance, Green Finance and Climate Change, Artificial Intelligence, Cyber security, IT awareness and safety among others.

Board Evaluation

The Bank undertakes a rigorous review of the effectiveness of the Board, its committees, individual directors, and the Company Secretary. Board evaluation is a critical process that assesses whether the Board is effective in carrying out its mandate and whether individual directors continue to make quality contributions at meetings, demonstrate a commitment to the director role, and ensure team cohesion. The process identifies strengths to be optimised and challenges to be addressed.

Following the conclusion of the Board Evaluation for the year 2023, an action plan was generated, and the identified issues were closed while specific timelines were pegged to the implementation of the development finance training, which is the only outstanding issue.

Board Meetings

The Board approves an annual Work Plan (calendar) that assists the director to function effectively and efficiently. The Plan includes governance issues and tasks the Board and its Committees must perform over the year, as well as keeps the Board focused on its core deliverables. The Board meets at least 4 times in a year and annually convenes for a mid-year and annual strategy session as well as any Special Board meetings to attend to urgent business. During the period ended 31 December 2024, the Board of Directors convened 8 times. Refer to details on page 24 for Board attendance during the period. Board reports are circulated at least four days before the meeting through a secure portal known as Convene. To facilitate efficient decision making, the Management team, and other senior employees may be invited to attend part of the meetings to provide additional insights into technical matters. The attendance of the meetings by directors in the reporting period was generally good save for times when they were indisposed due to conflicting priorities.





The Board meets at least 4 times in a year and annually convenes for a mid-year and annual strategy session as well as any Special Board meetings to attend to urgent business.

Digital Technology

The company has to date continued to utilise digital platforms to conduct board business since the Corona virus (COVID-19) pandemic. However, the Secretary convenes physical biannual Board of director meetings to maintain the members' cohesion and engagement. Such meetings also create an opportunity for the directors to interact with employees after the meetings. The risk of cybersecurity remained a key focus area for the Board during the reporting period because of the increased regulation and personal accountability for the risk. Some jurisdictions like the UK have considered the failure to address cybersecurity risks as negligence and potential fraudulent behaviour demanding that Boards demonstrate their effective oversight for cyber risk.

At UDB, the Board has overall responsibility for risk management including cybersecurity and has delegated the oversight role to the Board Audit and Risk Committee. No threats that could materially affect the company business, strategy and operations were

identified during the year. However, to enhance the governance oversight, the Board amended the Terms of Reference for the Board Audit and Risk Committee to include oversight for Cyber Risk Management including reviewing the adequacy of the internal controls for the risks. The Board shall ensure cyber risk and compliance management are considered as part of the organisation's strategy and corporate objectives. The Board shall determine how often the cyber risk, compliance and security management policy is reviewed and updated with best practices and compliance regulations. The Board shall determine how the business tracks cyber threats as well as trends and review the incident response tracker and crisis management plans. The Board shall approve investments in technology and training for staff. The Bank shall establish a programme that details steps for assessing the severity of threats, sources of threats, mitigation strategies, and reporting on material risks.

Board Committees

The Board delegates some of its responsibilities to Committees but remains fully accountable to the shareholders. The Committees augment the Board's efficiency and effectiveness by giving more time to technical issues.

The Board is supported by four Board Committees namely, the Board Strategic Planning Committee, Board Credit Committee, Board Audit and Risk Committee and Board Equity Investment Committee. Committee operations are guided by approved terms of reference which are reviewed annually to ensure alignment with

developments in best corporate governance practice, and legal and regulatory frameworks. The chairperson of each Board Committee is an independent non-executive director, and members are appointed by the Board Chairperson based on the required skills and competence sets. The company secretary is the secretary to and provides governance support to all committees.

At a Board meeting following the quarterly committee meetings, the Board receives a Recommendation report from each committee for consideration and resolution.

Board Remuneration

The Board Strategic Planning Committee reviews the remuneration of staff and non-executive directors. The Board ensures the remuneration packages are appropriate and competitive to attract and retain high quality talent. The balance between performance payments and long-term value creation

for shareholders remains at the heart of the company's remuneration policy. No performance-based remuneration is paid to the Non-Executive Directors, they receive a monthly retainer and sitting allowance for the meetings attended.

During the period ended 31 July 2024, the Directors were remunerated as follows:

No.	Job Title	Monthly pay/retainer	Sitting allowance	
		UGX.	UGX.	
	Board Chairperson	4,500,000	1,250,000	
	Member of the Board	3,500,000	1,000,000	

To ensure the Remuneration package of the Non-Executive Directors remained holistically competitive to support the Bank's goals, a remuneration benchmarking exercise was conducted with government financial institutions in 2023, and the shareholders revised the structure at the 11th Annual General Meeting of the company held on 23rd July 2024 with effect from 1st August 2024 as follows:

No	Benefit	Revised remuneration package
1.	Monthly Retainer	Chair - UGX 7,500,000 gross Member - UGX 6,500,000 gross
2.	Sitting Allowance	Chair - UGX 2,500,000 gross Member - UGX 1,500,000 gross
3.	Travel Costs	UGX 500,000 full day engagement
		Foreign - USD 650
4.	Warm Clothing Allowance	USD 500 every two years
5.	Tablet/ Laptop	An iPad and data
6.	Medical/ Gym Facilities	N/A



At UDB, the Board has overall responsibility for risk management including cybersecurity and has delegated the oversight role to the Board Audit and Risk Committee.





The Board delegates some of its responsibilities to Committees but remains fully accountable to the shareholders.



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Board Activities

Key activities undertaken by the Board and its committees during the reporting period:

Matters	Focus area
Strategic matters	 a. The Board approved the revisions to the 2024 Business Plan and 2024 Budget at the midyear Strategy Retreat held on 8th August 2024. b. An Annual Strategy meeting convened in December 2024 to review the Bank's overall strategy, performance of annual business plans and budgets, the status of the Bank's culture transformation and approved the 2024 business plan and budget. Additionally, the Bank's Strategic plan 2025-2029 was considered. c. Quarterly review of the impact of macro-economic indicators, global events, and trends on the business, including likely risks affecting the business. d. Amendment and approval of policies. e. Approved the roll out of two additional Regional Business offices for commercial and strategic outreach to varied stakeholders in Mbale and Hoima districts. f. Reviewed the Bank's funding plans, expenditure and investment requirements. Specifically, approved borrowings of USD 275 million from external Funders. g. Approved staff Training plans. h. Approved the RISE (Reshaping Industry for a Sustainable Economy) Programme that aims to exploit science and technology, fuel innovation, ignite entrepreneurship and
Assurance and Risk management	 create an internationally competitive national industrial base in Uganda. a. Considered reports on all material legal matters including key developments in the governance, legal and regulatory space, as well as litigation updates. b. Reviewed the integrity of the financial statements, approved the annual report, and authorised key corporate filings. c. Reviewed the internal and external audit reports and held Management accountable for outstanding audit issues. d. Approved the Quality Assurance and Improvement Programme policy which ensures the Internal Audit Function conforms to the Global Internal Audit standards. e. Reviewed the adequacy of the internal controls and risk management systems. f. Reviewed the strategies for combined assurance.
Environmental Social and Governance matters	 a. The Board maintained its oversight role by ensuring all approved transactions for financing conformed to the Bank's Environmental and Social Policy, National and International Environmental and Social standards, and requirements. b. The Bank held an event on the sidelines of COP29 in Baku, Azerbaijan to popularise the Bank's Climate Finance Facility. The pipeline of green projects was also discussed with potential Funders. The engagement culminated into a funding pipeline for the Bank. c. Reviewed reports on employee engagement, welfare, and wellness. d. Received performance updates from the governance function on implementation of all governance issues.
Stakeholder Engagement	 a. Monitored the implementation of Stakeholder Engagement Management plan. Meetings and workshops were undertaken with key stakeholders including shareholders, Permanent Secretary to the Treasury, Parliament and Cabinet representatives etc. b. Several projects funded by the Bank were visited and assessed on project management performance. c. Engagements at regional Business Clinics and symposiums.

Conflict of Interest

The Board has established appropriate controls for managing conflict of interest. Declaration of conflict of interest is a standard agenda item at all meetings before business is considered. A conflicted member is excluded from decision making relating to the agenda item(s) to which they are conflicted. Directors are required to provide advance notice of any actual or potential conflict of interest to the Chairperson and Company Secretary for consideration at the next meeting date. Additionally, following appointment, Directors are required to disclose any circumstance capable of giving rise to an actual or potential conflict

of interest and thereafter annually. The Company Secretary maintains a Register of Interests. No material conflicts with the company were reported during the period. The Board confirms that its members observed their fiduciary obligation under Section 198 (c) of the Companies Act, 2012 in the period under review. Directors acted in good faith and in the interests of the company. Shareholders were treated equally, conflicts of interest were avoided and or declared where necessary, and personal profits were not made at the company's expense, nor benefits accepted that compromised their judgment.

Compliance with the Governance Framework, Codes and Regulations

We recognise and accede to the principles stated in the King IV Report on Corporate Governance that states as follows; there is always a link between good governance and compliance with the law, and good governance cannot exist separately from the law, and it is entirely inappropriate to unhinge governance from the law. For us conducting business in accordance with the relevant legislation, regulations, standards, and codes is integral to our culture. Compliance provides assurance to our stakeholders that the existing systems and processes will secure sustainability of the business, protect the reputation of the Bank, and guarantee a competitive advantage in the market.

The Board is charged with ensuring appropriate systems and controls are in place to monitor compliance with the established legal and regulatory framework. The Board Audit and Risk Committee receives quarterly reports on the status of compliance risk management in the Bank and significant areas of non-compliance are a subject of review by the

Internal Audit function. Corporate governance is not a box ticking exercise at the Bank, it is engrained in the Bank's culture, business, and operations. The Company applies the core principles of good corporate governance in all its dealings. The Company Secretary monitors the international and local governance trends and development to ensure the existing framework is aligned.

The Company has established policies to guide the operations of the business and the conduct by employees, and these policies are periodically reviewed at least once in three years to ensure relevance.

Key policies reviewed during the period have been highlighted within the report. The Board also reviewed its Charter to accommodate changing circumstances and alignment to best practice. In the year under review, the Bank complied with the legal, regulatory, compliance and governance framework.



The Board has established appropriate controls for managing conflict of interest. Declaration of conflict of interest is a standard agenda item at all meetings before business is considered.



Ethical Conduct and Responsibility

The Bank values doing business the right way and has an established Code of Conduct, which requires all employees to do the right thing and continually strive to do business in a sound manner. This behaviour shapes our culture and ensures successful delivery of the Bank's purpose, mandate, and strategy. The Code of conduct underpins everything we do as an institution and governs our relationship with key stakeholders. The Bank remains committed to the highest standards of ethical, lawful behaviour as well as professional conduct and understands that its reputation depends on the integrity of its Board members, Senior Management, and all staff.

Annually, the Staff are required to sign the Code of Conduct committing to exercise due care and diligence while executing their roles, act honestly, in good faith, and the best interests of the Bank at all times, not to allow personal interests to conflict with that of the Bank and to declare any interests when they arise, not to engage in any conduct likely to bring discredit upon the Bank, to comply with all applicable laws, regulations, policies and adhere to the principles of Good Corporate Governance, not to make improper use of any information acquired by their position and to keep the Bank's proprietary information confidential.

The Directors are required to remain independent in their judgment and actions and take all reasonable steps to be satisfied with the soundness of their decisions, to use their powers for the proper purpose and in the best interests of the Bank, to preserve and protect the Bank's assets and resources and promote their efficient usage. Any suspected violations of the Code of Conduct, Bank policies, or regulations must be promptly reported and dealt with accordingly.



Culture

The Board plays a critical role in monitoring the organisation's culture and values. The company is currently undertaking a cultural transformational journey under the tagline LEAP3. This acronym embodies the Bank's culture pillars: Inclusive and Impactful Leadership, Excellence, Agility, People First, Purpose-Driven, Personal, and clear Accountability



Engagement with Shareholders

The Bank maintains and values open and positive dialogue with its shareholders.

This builds mutual trust, which is critical for the attainment of the company's mandate and strategy. The Annual General Meeting provides a forum for the Board to engage the shareholders and report on the annual performance. Other engagements were also held outside the AGM.

Board Committee Reports

A. Board Equity Investment Committee Report

The Committee is comprised of three (3) members: 2 independent Non-executive Directors, namely Mr. Francis Tumuheirwe (chairperson) and Mr. Joe Busulwa Kayongo, and 1 Executive Director (Mrs. Patricia Ojangole). Following the retirement of Mr. Francis Tumuheirwe, Dr. Theodora Twongirwe Mondo was appointed successor. The Director Investments, Director Risk, Head of Legal, Manager Equity, and Equity Analyst are invitees to the meetings. The Committee is ably supported by 2 Independent Advisors, namely Mr. Simon Rutega and Ms. Annette Mulira, who possess expertise and experience in equity transactions.

The Committee provided strategic direction and oversight over the Bank's equity investment portfolio and all investment activities. The Committee only approves investments if the financing intervention will improve the capital structure of a potentially

viable project with significant social development impact and increased financial returns to the Bank. As of 31st December 2024, approvals registered were UGX 1.6 billion with over 90% of the portfolio in the manufacturing sector, with Agro-industry and Services accounting for the balance.

Key achievements of the Board Equity Investment Committee included approved investments worth UGX 1.6 billion and Portfolio growth of UGX 16 billion in 6 companies, the appointment of 4 Investor Directors to represent the Bank's interests in the investee companies, and amendments to the Equity Investment Policy Manual and the Investor Director Nomination and Appointment policy. The Committee reviewed its terms of reference to confirm they remained adequate, and the board approved the proposed amendments to the Charter.

B. Board Credit Committee Report

The Board Credit Committee (BCC) is comprised of two (2) Non-Executive Directors, including Mr. Joe Busulwa Kayongo, the chairperson, and Mr. Bob Bonabo Munene, and one (1) Executive Director, Mrs. Patricia Ojangole. The Directors of Investments, Credit, and Risk are invited to all meetings. The Board is satisfied with the collective skills of the BCC members.

During the period under review, the Committee ensured that frameworks for credit risk governance were in place to effectively manage credit risk, which is inherent given the nature of the business. It monitored the overall and product-specific concentration limits and reviewed lending policies. It implemented the policies commensurate with specified risk appetite, including loan approval authorities, the delinquency trends, and collection strategies, and recommended write-off of specific accounts for Board approval.

Key policies reviewed and approved included: Trade Finance Policy, and a Governance Framework for SME and Family-owned Businesses financed.

The Committee's reports to the Board contained the following information: credit portfolio performance, adequacy of provisions, and the status of non-performing loans. The Committee approves credit applications over UGX 1.5 billion only and convenes as and when required to consider credit applications falling within its mandate.

As of 31st December 2024, the Committee approved loans worth UGX 455 billion, achieving 83% of the target of UGX 550 billion. Details of these and other transactions are provided in the sustainability section of the Annual Report. The Committee held 11 meetings during the year, and details of attendance are indicated on 21.

Key notable achievements include the approval of credit limits for contractors under the Ugandan Contractors Financing Initiative, the approval of project preparation facilities for the Uganda Cancer Institute and Busitema University worth UGX 600 million and UGX 575 million,

respectively, and the approval of the Digital Financing Initiative. The Committee reviewed its terms of reference to confirm they were adequate, and the board approved the proposed amendments to the Charter.

C. Board Strategic Planning Committee Report

The Board Strategic Planning Committee (BSPC) is comprised of two (2) Non-Executive Directors, including Mrs. Rita Akot Apell, the Chairperson, and Mr. Bob Bonabo Munene, and one (1) Executive Director, Mrs. Patricia Ojangole. The Director Strategy and Corporate Affairs, Director Finance and Business Operations and Chief Economist/Director Economic Research and Knowledge Management are attendees at the meetings. The BSPC membership consists of appropriate skills, knowledge, experience and is of sufficient size relevant to the Bank's needs. The Committee's specific responsibilities as per the Charter include the following:

- Oversee the Bank's long-term strategy and annual business plan. Management executes the strategy and reports to the BSPC on the performance against the approved strategy, annual business plans, and key performance indicators every quarter.
- ii. Oversight on matters affecting the Bank's human resources.
- iii. Assisting the Board in determining the remuneration policy for Executive directors and Senior Management and maintaining oversight over the Bank's remuneration philosophy. Additionally, oversight for the general compensation structures, including equitable compensation plans and benefits programmes for the Management and staff of the Bank.

- iv. Ensuring that the right calibre of Management is recruited and retained.
- Setting performance-related incentive schemes, performance criteria, and measurements.
- vi. Oversight on implementing the Banks' Information Technology and Digitization Strategy.
- vii. Oversight of the corporate affairs/communication and business technology functions of the Bank as well as the Bank's human capital strategy.
- viii. During the year, the Committee considered various strategic issues, including the following:
- ix. An evaluation of the Bank's Executive and Senior Management's performance.
- x. Approved the 2024 Organisational Structure and Staff Establishment of 162 staff. The recruitments ensured the Bank continued to deliver on its mandate and achieve its strategy.
- xi. Approval of Policies and amendments, including Travel Management, Business Technology, Innovation Strategy, Administration, and Grants Management policies.
- xii. Approved the staff's annual training plan.
- xiii. Approved the opening of 2 regional branches in 2024 (Hoima and Mbale).
- xiv. Approved various documents to facilitate the Bank's Sustainability Standards and Certification Initiative version 2.0.

D. Board Audit and Risk Committee Report

The Board Audit and Risk Committee (BARC) is constituted of three (3) Independent Non-Executive Directors namely, Dr. Albert Richards Otete, the Chairperson, Mr. Francis Tumuheirwe and Mrs. Rita Akot Apell. Following the retirement of Mr. Francis Tumuheirwe, Dr. Theodora Twongyirwe Mondo was appointed to the committee. The Chief Internal Auditor, Director Finance and Business Operations, Head Legal and Director Risk are attendees at the meetings. During the year, the Committee fulfilled its oversight responsibilities on the evaluation of the adequacy and efficiency of accounting policies, challenged the integrity of financial reporting, internal controls, and risk management, including the determination of how principles on corporate governance were well implemented.

During the period under review, the Committee considered the following and recommended the same for Board:

 Evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, risk management and

- auditing processes applied within the Bank in the day-to-day management of its business.
- ii. Expected Credit Loss
- iii. Management and Audited accounts
- iv. Risk Appetite Statement
- Approved policies including amendments namely: Sinking Fund policy, Whistle blowing policy, Conflict of Interest policy, Quality Assurance and Improvement Programme policy, Stress Testing policy, Environmental and Social Management systems, Legal policy, Crisis Management Plan and policy, Risk and Opportunities Management Framework.

The Committee held six (6) meetings during the period as indicated on 21.

The Committee reviewed its terms of reference to confirm they are adequate and the proposed amendments to the Charter were approved by the Board. The Board is satisfied with the committee's composition. One member has the relevant financial and accounting experience, and the Committee collectively has competencies relevant to the Banking industry.





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The Committee held 6 meetings during the year and details of the attendance are indicated on page 21. The Committee reviewed its terms of reference to confirm they are adequate and the proposed amendments to the Charter were approved by the Board.

Internal Control

The BARC monitored the effectiveness of the Bank's internal controls and compliance with the Enterprise-wide Risk Management Framework. The emphasis on risk governance is based on three lines of defence, and the BARC relies on the regular reports from departmental heads, Risk and Compliance, and Internal Audit to evaluate the effectiveness of the internal controls. No significant findings regarding the material breakdown in the internal controls came to the committee's attention during the period under review.

The Committee confirms that the internal accounting controls were adequate to ensure the financial records were reliable in preparing the Annual Financial

Statements. Accountability for assets and liabilities was also maintained due to sound accounting policies supported by reasonable and prudent judgments and estimates. The BARC obtained assurance that the Bank's internal controls were effective in all material aspects throughout the year under review.

This assurance was based on the information and explanations given by Management regarding various processes and initiatives aimed at improving the internal control environment and the integrity of information, discussions with internal audit, and with the independent external auditors, on the results from their audits.

Internal Audit

The Internal Audit Function reports directly to the Board Audit and Risk Committee (BARC) and has an administrative reporting line to the Managing Director. The BARC ensures the Internal Audit Function is independent and has the necessary resources and authority to effectively discharge its duties.

The BARC monitors the adequacy and effectiveness of internal controls quarterly and assesses the effectiveness of the Internal Audit Function. The BARC reviewed and approved the Internal Audit Plan, which was largely implemented during the period, save for 1 audit and advisory engagement. The Committee monitored and challenged, where appropriate, the

actions taken by Management concerning adverse Internal Audit findings. The Committee is satisfied with the independence and effectiveness of the internal audit function.

The Institute of Internal Auditor's (IIA) International Professional Practices Framework (IPPF) Standard 1300 requires the Chief Audit Executive to develop a quality assurance and improvement programme that includes both internal and external assessments at three fundamental levels namely, Internal Audit Engagement, Internal Audit Activity, and External Perspective. This programme was approved by the Board.

External Auditor

In accordance with the Law, the Bank's principal external auditor is the Auditor General. The Auditor General delegated the 2024 external audit exercise to M/s. Ernst and Young at the 11th Annual General Meeting of the company held on 23rd July 2024. The firm commenced the three-year contract during the period and the Bank is looking forward to enhancing its internal control environment and overall effectiveness with their support.

The BARC confirms that the external auditor was independent of the Bank and conducted the audit in accordance with International Standards on Auditing. The Committee, in consultation with the Senior Management, agreed to the engagement letter and audit plan for the financial year ended 31st December 2024.

The Committee approved the external auditor's annual plan and related scope of work and monitored the effectiveness of the external auditor in terms of their skills, independence, execution of the audit plan, reporting and overall performance.

The External Auditor's report was presented to the Committee for review and with the agreed recommended action plans. Senior Management is required to regularly provide an implementation status on the issues raised in the Management letter.

The BARC meets the External Auditor to discuss matters that the Committee or the External Auditor believes should be discussed privately and confirms that no such matters arose during the year.

Financial Statements

The Committee reviewed the financial statements of the Bank and confirms that the statements were prepared in accordance with the Companies Act, 2012 and the International Financial Reporting Standards. During the period, the Committee:

- Reviewed and discussed the audited Annual Financial Statements with the External Auditor and Management.
- Reviewed the Management Letter and Management's responses.
- Reviewed significant adjustments resulting from audit queries and accepted unadjusted audit differences.
- iv. Reviewed areas of significant judgements and estimates in the Annual Financial Statements; and
- Received and considered reports from the Internal Audit Function.



The Internal Audit Function reports directly to the Board Audit and Risk Committee (BARC) and has an administrative reporting line to the Managing Director.

Expertise and experience in the Finance Function:

The Committee considered and satisfied itself with the overall appropriateness of the expertise, experience, and adequacy of the resources within the Bank's Finance function.

Going Concern

Based on the current financial projections and facilities available, the Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future, at least for the next twelve (12) months. The Directors accordingly continue to adopt the going concern basis in the preparation of the Bank's annual financial statements. The Auditor General has confirmed this opinion.

Risk Management

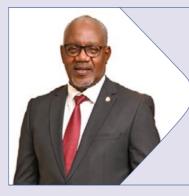
The Board assigned the Audit and Risk Committee (BARC) with oversight of the Bank's risk management function. The BARC reviewed the Risk Appetite Statement and monitored the following risk categories; strategic risk, credit risk, operational risk, market risk, liquidity risk, compliance risk, environmental and social risk, technology risk and reputational risk, and is satisfied that appropriate and effective controls were in place to identify and mitigate the risks. The Bank continues to adopt agile approaches to risk management with a view to remaining resilient.

Company Secretary

The Company Secretary is accountable to the Board and plays a pivotal role in the corporate governance of the Bank. The Company Secretary ensures information is made available to Board members in a timely manner, supports all Board and Committee meetings, designs tailored Board induction programmes and reviews evaluation tools including co-ordinating any post-evaluation action implementation plans, arranges director training and development as well as provision of advisory services to the Board on corporate governance, legal, regulatory and compliance matters.

All directors have unlimited access to the advice and services of the Company Secretary. The Company Secretary acts independently, her appointment and removal are a matter for the entire Board. The Board provides a safe environment for her to effectively execute her role and thrive. The Company Secretary fulfills a dual role as Secretary on the Board and General Counsel on the Executive Committee of the Bank.

BOARD OF DIRECTORS as at 31 December 2024



Mr. Geoffrey T. Kihuguru

Board Chairperson

Age: 63 Appointed: 2025

Other roles: President of the Institute of Corporate Governance of Uganda, Chairman of the Board of Trustees of Ripple Effect Uganda, Chief Executive Officer of Pentad Insurance Brokers Ltd.



Dr. Patricia Ojangole

Managing Director

M.Phil in Development Finance (cum laude), University of Stellenbosch Business School; Masters in Business Administration from ESAMI; B.Com Makerere University; FCCA; CPA; Member of the Institute of Internal Auditors (IIA)

Age: 46 Appointed: 2018

Directorship in other institutions: Director Trade Mark EA, Busitema University Fund & Liberty Life Assurance (U) Ltd.



Mrs. Rita A. Apell

Board Member

Master's degree in Business Administration from Herriot Watt University; postgraduate Diploma in Computer science and bachelor's degree in Mathematics & Physics from Makerere University.

Age: 51 Appointed: 2022 Directorship in other

institutions: Director Finca, Network Support BV.

Other Roles: IT Consultant.



Dr. Albert Richards Otete

Board Member

Doctorate in Business Administration; Masters of Business Administration; Bachelor's degree in Commerce; CPA; Certifi ed Information Systems Auditor; Certified Information Security Manager; Member of the League of East African Directors (LEAD)

Age: 54 Appointed: 2023

Directorship in other institutions: Finance Trust Bank Limited.

Other Roles: Board Advisor for National Social Security.

BOARD OF DIRECTORS as at 31 December 2024



Mr. Joe Busulwa Kayongo

Board Member

Master of Business Administration (MBA) from the University of Nairobi, Bachelor of Commerce (BCom) from Makerere University, Post Graduate Diploma from the Research Institute of Advanced Training from the Netherlands

Age: 75 Appointed: 2022

Directorship in other institutions: Director, Precision Consulting Limited.



Mr. Bob Bonabo Munene

Board Member

Master of Science in Developement Economics, Uganda Martyrs University; Master of Business Administration, ESAMI; Bachelor of Science (Statistics & Economics) Makerere University

Age: 40 Appointed: 2023

Other Roles: Council Member Uganda Institute of Banking and Financial Services



Dr. Theodora Twongyirwe Mondo

Board Member

PhD in Computing from Mbarara University of Science and Technology, Master of Science in Computer Science from the University of Birmingham (UK), Bachelor of Engineering in Mechanical and Manufacturing Engineering from the University of Leeds (UK).

Age: 48 Appointed: 2025

Directorship in other institutions: Director, Board of National Information Technology Authority-Uganda (NITA-U), Uganda Women Entrepreneurship Association Ltd, Uganda Manufacturers Association and Kampala International University Council.

Other Roles:

Senior Lecturer in the Department of Mechanical and Industrial Engineering at Mbarara University of Science and Technology.



MANAGING DIRECTOR'S STATEMENT

Creating a sustainable future for all



n 2024, Uganda sustained its trajectory of economic growth, with real GDP rising to 6.4%, up from 6.0% in FY2023/24. This growth was underpinned by strong aggregate demand, expanding private

sector activity, and steady performance across key sectors - manufacturing, construction, agriculture, and services, with Government-led initiatives such as the Parish Development Model (PDM), and Uganda Development Bank's (UDB) interventions continuing to play a catalytic role in driving inclusive economic transformation. Throughout the year, business sentiment remained positive, as reflected in the Business Tendency Index (BTI), which rose from 57.3 in the first quarter of the year, to 59.3 by year-end, signalling sustained optimism among private sector players, buoyed by robust consumer demand. Similarly, the Composite Index

of Economic Activity (CIEA) improved from 163.4 in Q1 to 167.9 in Q4 2024, confirming increased momentum in economic activity and an enabling environment for business growth.

Through 2024, UDB remained a committed partner in advancing the Government's economic development agenda, providing targeted financial support to qualifying enterprises and enabling productive investments across priority growth sectors. The year also marked the conclusion of the Bank's 2020–2024 Strategic Plan, delivered with consistent dedication to UDB's core mandate: improving the quality of life of Ugandans.

Sustained socio-economic impact

Throughout the year, the Bank continued to channel its resources into projects with clear potential to generate meaningful socio-economic impact. The Bank's strategic financing in 2024 led to the realisation of the following transformative development outcomes.

Social Impact

Employment - In 2024, the Bank's financing efforts created and/or maintained **55,553 jobs**, representing a **7.2**% increase from **51,841** jobs in 2023.

- Youth accounted for 59.9% of all jobs created or maintained, totalling 33,276 positions, and held 51% ownership in businesses financed by the Bank, up from 33% in 2023.
- Women accounted for 31.3% of the jobs in enterprises financed by the Bank and held 41% ownership, an increase from 39% in the previous year. They also made up 39% of senior management teams and held 42% of Board positions within these enterprises.
- Persons living with Disabilities (PWD) took up 222 jobs, up from 130 jobs in 2023.



Economic Impact

The annual output of enterprises financed by the Bank increased by 3.2% year-on-year, rising from UGX 5,860 billion to **UGX 6,053** billion in 2024. This performance highlights the Bank's catalytic role in accelerating industrialisation and driving broadbased economic growth.

In 2024, profitability among Bank-financed enterprises grew by 22%, rising from UGX 869 billion to **UGX 1,061** billion. Similarly, export earnings from locally produced goods and services increased by 16.5%, from UGX 953 billion to **UGX 1,109** billion, driven mainly by increased output in manufacturing and agro-processing.

These gains reflect the Bank's growing impact in strengthening enterprise competitiveness and in advancing Uganda's industrial and export potential.

Tax Contribution

Driven by improved output and profitability among Bank-financed enterprises, their contribution to government tax revenue rose by 34.7%, increasing from UGX 236.1 billion in 2023 to **UGX 318.1** billion in 2024.

This performance highlights the Bank's critical role in nurturing fiscally productive businesses that buttress Uganda's domestic revenue mobilisation efforts.

Stimulating private sector growth

In 2024, the Bank approved UGX 455.2 billion in new loans to over 170 enterprises across 67 districts nationwide. Upon full implementation, these projects are expected to deliver a range of development outcomes, including the creation of 17,832 new jobs, UGX 9,3847 billion in additional output, UGX 1,808 billion in foreign exchange

earnings, UGX 1,778 billion in profits, and UGX 455 billion in tax contributions to the Government.

Additionally, during the reporting year, the Bank disbursed UGX 388.7 billion in new funding to projects across the country. As of 2024, the Bank supports 770 active projects spanning 103 districts.

The industrial sector continued to dominate the Bank's portfolio, accounting for 50% of UDB's total investments. Of the **UGX 822** billion allocated to industrial activities, 46.8% is directed toward agro-industrialisation, 50% toward manufacturing, and 3.2% toward mineral-based industries, reflecting the Bank's strategic focus on value addition and industrial transformation.

The Bank also undertook a range of institutional initiatives aimed at deepening its impact across priority sectors and tackling structural barriers to sustainable economic growth, including the following interventions.

- The Bank remains resolute in promoting investment readiness as a pathway to sustainable enterprise development. In 2024, UDB delivered targeted interventions including training, incubation, business advisory, and technical support to empower small and medium enterprises (SMEs) to become sustainable, profitable, and bankable. Notably, the Bank operationalised an incubation service in collaboration with the Uganda Management Institute to support early-stage businesses in formalising and strengthening their operations. An inaugural cohort of 71 businesses were incubated during the year.
- Through its Project Preparation offering, UDB addresses technical and financial bottlenecks that often hinder the progress of viable and impactful project ideas, particularly those

requiring substantial early-stage investment and technical capacity. This initiative plays a catalytic role in transforming high-potential concepts into bankable projects by providing the necessary support for their maturation. In addition to derisking early-stage ventures, Project Preparation also facilitates the development of targeted funding initiatives that enhance access to the Bank's financial products and services.

■ The Bank committed **UGX 5.07** billion toward the preparation of various projects and initiatives. Notable among these are efforts in the agriculture sector, including research to support the local development of high-yielding and high oil-content sunflower seed varieties, the hybrid electricity connections programme which has benefitted 42,000 households and small businesses and the Ugandan Contractors funding initiative aimed at providing the much-needed affordable capital for local contractors.

Financial Performance

The Board and Management remain committed to ensuring the Bank's long-term sustainability by exercising careful stewardship in asset deployment and maintaining operational efficiency.

In 2024, the Bank recorded a post-tax (net) profit of **UGX 57.8 billion**, marking a 16% increase from UGX 49.8 billion in 2023, driven by the continued strategic investments in interest-earning assets and a steadfast focus on cost prudence and efficiency.

Bank Size

In 2024, the Bank's total assets grew by 7%, reaching **UGX 1,782** billion, up from UGX 1,668 billion in 2023. This growth was largely supported by additional capital injections from the Government of Uganda and the accumulation of retained earnings.

The loan portfolio also expanded, with net loans and advances to customers increasing by 9% from UGX 1,470 billion to **UGX 1,532** billion, reflecting the Bank's continued commitment to financing impactful development initiatives.

To support the growth in assets, the Bank strategically reinvested **UGX 437** billion collected as loan repayments, alongside **UGX 80.7** billion in additional capital contributions from the Government of Uganda. This capital injection significantly strengthened the Bank's capital base,

raising cumulative capitalisation from UGX 1,373 billion to **UGX 1,512** billion, and thereby enhancing the Bank's capacity to deliver on its development mandate.

Lean and Efficient Operations

As the Bank continues to prioritise results-driven delivery through lean and efficient operations, its cost-to-income ratio (excluding impairment) remained stable at 31% in 2024, consistent with the previous year. Over the past five years, the return on assets has continued on a positive upward trajectory, rising to 3.26% in 2024 from 3.13% in 2023. Return on equity also marginally improved, increasing from 3.82% to 3.89%, underscoring the Bank's ongoing efforts to generate value for its stakeholders.

As the Bank positions itself for greater impact, it will focus on maximising resource efficiency across financial, human, technological, and institutional capacities. Additionally, the Bank will actively explore innovative and diversified funding avenues to scale its interventions and amplify development outcomes, whilst assuring long-term value creation for its stakeholders.

Recognition and Awards

In recognition of the Bank's significant progress in strengthening its operations, governance, and various other key areas, UDB garnered both local and international accolades during the year.

- The Bank was named the 2024 Regional Bank of the Year - East Africa at the prestigious African Banker Awards, in acknowledgement of the sustained institutional performance and resilient leadership, delivering profitable and impact-driven lending while advancing green and sustainability priorities, even amid external shocks.
- For the fourth consecutive year, the Bank and its Managing Director (MD) emerged the Sustainability Leader of the Year at the Karlsruhe Sustainability Awards in Germany, in recognition of the MD's exceptional leadership in driving the business performance of UDB through creating social, economic and environmental values and globally advancing sustainable finance.
- **Credit Ratings:** UDB secured a 'AA+ (Uga)' National Long-term Rating with a Stable Outlook. This designation, assigned by Fitch Ratings, a globally



In 2024, the Bank's total assets grew by 7%

UGX 1,782 bn up from UGX 1,668 bn in 2023

renowned credit rating agency, was accompanied by a 'B' Long-Term Issuer Default Rating (IDR) with a stable outlook – the same pegged to Uganda's Sovereign rating, reflecting the Bank's ownership by the Government.

- UDB, alongside five other Development Finance Institutions (DFIs) in Africa out of more than 80 participants, earned an 'AA rating' from the Association of African Development Finance Institutions (AADFI). This recognition reinforces UDB's standing as one of the continent's best performing DFIs and underlines the Bank's commitment to excellence in meeting stringent prudential standards, particularly in governance, operational efficiency, and overall institutional performance.
- The Bank received Level 5 certification under the Sustainability Standards and Certification Initiative (SSCI) Version 2, the highest level of sustainability excellence in the certification process a testament to UDB's commitment to consciously advancing holistic sustainability in its operations.

Looking Ahead

As the Bank continues on its journey to embed sustainability in its investments and operations whilst balancing financial sustainability considerations, UDB has developed an overarching Strategic Plan 2025-2029. The Bank set out to achieve the following strategic objectives in 2025 and beyond:

- Leverage a supply-driven approach to scale up investments in public and private sector projects that foster long-term socio-economic transformation.
- Strengthen the Bank's position as a thought leader in socio-economic development issues in the country and beyond.
- Innovative resource mobilisation for domestic investment.
- Leveraging technology and innovation, and optimising human talent to enhance operational efficiency, strengthen organisational resilience and ensure the effective delivery of the Bank's strategy.
- Leveraging partnerships to deliver sustainable impact.

Appreciation

On behalf of the Management and staff, I extend our deep appreciation to all stakeholders whose continued support propels the Bank's mission forward. We remain steadfast in our commitment to delivering on the Bank's mandate.

We especially recognise and thank the President of the Republic of Uganda, H.E. Yoweri K. Museveni, for his unwavering support and visionary leadership that has enabled the Bank's continued growth and impact over the years.

We deeply appreciate the continued support of our shareholders, the Ministry of Finance, Planning and Economic Development, whose commitment has ensured that the Bank remains adequately empowered to fulfill its development mandate. We extend our gratitude to the Chairman and Board of Directors for their invaluable oversight and stewardship, which have been central to the Bank's steady progress and relevance.

To my esteemed colleagues, the Management team and staff of the Bank, I extend my deepest appreciation for your dedication, professionalism, and shared commitment to our mission. Your unwavering passion and collective resolve in serving our customers and stakeholders is the driving force behind the Bank's sustained success and strengthens our institution's ability to deliver meaningful results.

To our valued clients, our funders and all partners, whose collaboration and trust have been instrumental to our shared journey, we deeply appreciate your continued partnership.

As we look ahead to 2025 and beyond, we are energised to build on this strong foundation, amplifying our impact in the communities we serve and advancing an inclusive, resilient, and sustainable future for all.

Patricia Ojangole (PhD)

Managing Director

THE EXECUTIVE TEAM

Mr. Samuel Edem Maitum

MSc in Accounting and Finance, University of Greenwich, UK BA Social Sciences (Economics), Makerere University, Uganda

Dr. Patricia Ojangole Managing Director

PhD and MPhil Development Finance (cum laude), University of Stellenbosch Business School, South Africa MBA, ESAMI, Tanzania BCom, Makerere University, Uganda

Dr. Francis Mwesigye

Director Economic Research and Knowledge Management

PhD and Masters **Development Economics** (Policy Analysis Programme), National Graduate Institute of Policy Studies, Japan BA Economics, Makerere

University, Uganda

Mr. Stephen Hamya

Senior Leadership Development Programme, Strathmore Business School, Kenya Bcom, Makerere University, Uganda

Mr. Denis Ochieng Director Finance and Business Operations

MSc Financial Risk Management, Caledonian University, United Kingdom BCom, Makerere University, Uganda

Mr. Sylver Kyeyune

MBA. Makerere University, Uganda Bcom, Makerere University, Uganda – Accounting **Alumnus** of Strathmore Business School, Kenya

Andama

University, UK

MA in International degree, Shanghai University, Peoples Republic of China

Director Investments

Business School – Heriot WATT

Mr. Mahamoud

MBA, Edinburgh

Economics and Trade

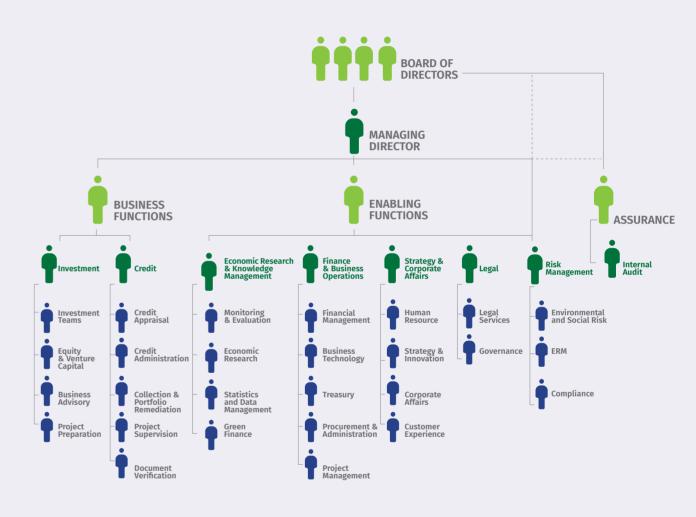
Ms. Sophie K. Nakandi Head Legal and Company Secretary

PGD in Legal Practice, Law Development Centre, Uganda Masters in Business Law, De Montfort University, UK **BA of Law**, Makerere University,

Mr. Joshua Allan Mwesiga

Uganda

ORGANISATIONAL STRUCTURE







Economic Performance in 2024 and Outlook for 2025

External Economic Environment

Overview of Global Economic Performance and Outlook

The global economy expanded by 2.7% in 2024, maintaining the same growth rate as in 2023. This trend will continue into 2025 as inflation moderates and monetary easing supports activity.



owever, growth remains subdued due to policy uncertainty, trade tensions, geopolitical risks, persistent inflation, and climate-related disruptions. Advanced economies grew at 1.7% in 2024, with the

same rate projected for 2025, driven by a slowdown in the U.S. (2.8% in 2024 to 2.3% in 2025) and marginal recoveries in the Euro Area (0.7% in 2024 to 1.0% in 2025) and Japan (0.0% in 2024 to 1.2% in 2025).

Global economic projected growth rates



Advanced economies growth in 2024



2.3% Slowdown in the U.S. in 2025





4.1% Sub Sahara Africa economic growth in 2025

Growth in emerging markets and developing economies (EMDEs) is forecast at 4.1% in 2025, supported by monetary easing, increasing real incomes, and improved domestic demand. However, these economies remain 5% below their pre-pandemic output trend. China's economy is set to slow from 4.9% in 2024 to 4.5% in 2025, mainly due to weak consumption and structural challenges, while India is projected to grow at 6.7% in 2025, maintaining strong momentum.

Sub-Saharan Africa's (SSA) economy is expected to grow from 3.2% in 2024 to 4.1% in 2025, driven by industrial-commodity-exporting nations. However, high government debt and rising interest rates limit fiscal space, slowing public investment. Nigeria's economy expanded by 3.3% in 2024, supported by strong services sector growth and fiscal reforms, while South Africa grew marginally at 0.8%, benefiting from improved electricity supply despite structural bottlenecks.

Table 1: Global Real GDP Growth and Projections (%), 2022-2025

Year	2022	2023	2024	2025
World	3.2	2.7	2.7	2.7
Advanced Economies	2.8	1.7	1.7	1.7
United States	2.5	2.9	2.8	2.3
Euro Area	3.5	0.4	0.7	1.0
Japan	0.9	1.5	0.0	1.2
Emerging Market and Developing Economies	3.7	4.2	4.1	4.1
China	3.0	5.2	4.9	4.5
India	7.0	8.2	6.5	6.7
Sub-Saharan Africa	3.8	2.9	3.2	4.1
Nigeria	3.3	2.9	3.3	3.5
South Africa	1.9	0.7	0.8	1.8
D-+				

Data source: World Bank, January 2025

East African Community (EAC) Economic Activity and Outlook

The East African Community (EAC) is projected to grow at 3.1% in 2025, down from 3.3% in 2024, primarily due to an anticipated 11.4% contraction in South Sudan's economy. The decline in South Sudan's economic performance is driven mainly by the ongoing conflict in neighbouring Sudan, which has disrupted its main oil export pipeline. This disruption has significantly reduced oil exports, leading to inflation, currency

depreciation, and a slowdown in economic activity, exacerbated by the country's fragile infrastructure and history of internal conflict. However, the EAC is expected to rebound strongly, with growth accelerating to 6.1% in 2026, positioning it as one of Africa's fastest-growing regions. This recovery will be driven by increased investments in regional connectivity and expanding intra-regional trade.

Table 2: EAC Real GDP Growth Rate and Outlook (%), 2022-2026.

Year	2022	2023	2024	2025	2026
EAC	4.4	4.9	3.3	3.1	6.4
Uganda	4.7	5.3	6.0	6.2	10.8
Kenya	4.9	5.6	4.7	5.0	5.1
Tanzania	4.6	5.1	5.4	5.8	6.2
Rwanda	8.2	8.2	7.6	7.8	7.5
Burundi	1.8	2.7	2.2	3.5	4.2
DR. Congo	8.9	8.4	4.9	5.0	4.6
South Sudan	-2.3	-1.3	-7.8	-11.4	6.1

Data source: World Bank, January 2025

Risks to the Outlook

The global economic outlook for 2024-2025 faces downside risks, including policy uncertainty, trade restrictions, geopolitical conflicts, inflationary pressures, and climate disasters. Trade protectionism, with tariffs rising fivefold since 2010, threatens global GDP, while conflicts such as Russia- Ukraine and Middle East tensions disrupt supply chains. Persistent inflation and monetary tightening could dampen investment,

while climate-related events, including record-high temperatures in 2024, endanger agricultural output. However, upside factors include faster-than-expected disinflation, stronger-than-expected U.S. and Chinese growth, technological advances in AI and automation, and improved trade diplomacy. If these positive trends materialise, global economic growth may surpass projections, reducing uncertainty.

Implication:

Slower global growth may dampen export demand in Uganda, while trade tensions and inflation could raise production costs. However, substantial regional trade, increased infrastructure investment, and oil sector expansion could drive growth. Climate risks, geopolitical instability, and policy uncertainty remain key challenges, requiring strategic interventions to sustain economic resilience and competitiveness.

Global Trade and Commodity Markets Outlook

Global Trade

Global trade in goods and services rebounded in 2024, expanding by 2.7% after a sluggish prior year. Growth in goods trade was stronger in the second half of 2024, driven by precautionary inventory buildup amid fears of U.S. dockworker strikes and potential tariff hikes. Despite maritime transport disruptions, freight rates remained below pandemic highs and did not significantly impact global supply chains. However, growth was uneven-EMDEs experienced steady expansion, while advanced economies, except the U.S., struggled due to weak demand. Goods trade in the Middle East and North Africa (MNA) contracted due to

OPEC+ oil production cuts. The services trade stabilised, supported by a recovery in tourism, which returned to pre-pandemic levels in most regions except East Asia and the Pacific (EAP), where pandemic-related restrictions persisted. Trade-restrictive policies surged, rising fivefold since 2010-19, particularly in countries aligned with the U.S. and China. Looking ahead, global trade is expected to grow by 3.1% in 2025 but remain below pre-pandemic averages, with risks from protectionist policies, geopolitical tensions, and sluggish investment growth.

Global Commodity Market Situation

Crude oil prices have fluctuated due to changing supply and demand. In 2023, Brent crude oil was USD82.60 per barrel, supported by OPEC+ production cuts and stable demand. Prices declined to USD80.70 per barrel in 2024 as OPEC+ increased production and China's economy slowed. By 2025, prices are expected to drop to USD73.00 per barrel due to a global supply surplus and weak demand from major importers.

Cocoa prices surged from USD3.28 per kilogram in 2023 to USD7.33 per kilogram in 2024, driven by weather disruptions in Côte d'Ivoire and Ghana. Improved conditions in 2025 are expected to stabilise supply, reducing prices to USD6.00 per kilogram as demand moderates. Arabica coffee prices rose from USD4.54 per kilogram in 2023 to USD5.62 per kilogram in 2024, while Robusta increased from USD2.63 to USD4.41 per kilogram due to drought in Brazil and supply uncertainties in Vietnam. With better weather, 2025 prices will decline to USD5.00 per kilogram for Arabica and USD4.20 per kilogram for Robusta.

Tea prices increased from USD2.74 per kilogram in 2023 to USD3.04 per kilogram in 2024 due to production issues in India and Kenya and strong demand. Prices are expected to rise slightly to USD3.15 per kilogram in 2025 as demand remains strong and supply challenges persist. Soybean prices dropped from USD597.90 per metric ton in 2023 to USD462.49 per metric ton in

2024 due to record harvests in South America. The trend is expected to continue, with prices projected at USD430.00 per metric ton in 2025 as supply remains high and demand weakens.

Maize prices fell from USD252.66 per metric ton in 2023 to USD190.60 per metric ton in 2024 due to strong production in the U.S. and Argentina. Prices will drop further to USD185.00 per metric ton in 2025. Rice (Thai 5%) prices rose from USD553.67 per metric ton in 2023 to USD588.42 per metric ton in 2024 due to India's export restrictions. With these lifted, competition is expected to drive prices down to USD530.00 per metric ton in 2025. Wheat (US HRW) prices fell from USD340.43 per metric ton in 2023 to USD268.67 per metric ton in 2024 due to strong production. Prices are expected to decline slightly to USD265.00 per metric ton in 2025.

Sugar prices declined from USD0.52 per kilogram in 2023 to USD0.45 per kilogram in 2024 due to strong production in Thailand and India. Prices may rise to USD0.46 per kilogram in 2025 due to supply concerns in Brazil. Cotton prices dropped from USD2.09 per kilogram in 2023 to USD1.91 per kilogram in 2024 due to oversupply and weak Chinese demand. As demand stabilises, a recovery to USD2.00 per kilogram is expected in 2025.

Table 3: Global Commodity prices and outlook, 2021-2025

			Actual	Projection
Commodities	2022	2023	2024	2025
Crude oil, Brent (\$/bbl)	99.80	82.60	80.70	73.00
Cocoa (\$/kg)	2.39	3.28	7.33	6.00
Coffee, Arabica (\$/kg)	5.63	4.54	5.62	5.00
Coffee, Robusta (\$/kg)	2.29	2.63	4.41	4.20
Tea, avg 3 auctions (\$/kg)	3.05	2.74	3.04	3.15
Soybeans (\$/mt)	675.40	597.90	462.49	430.00
Maize (\$/mt)	318.81	252.66	190.60	185.00
Rice, Thai 5% (\$/mt)	436.75	553.67	588.42	530.00
Wheat, US HRW (\$/mt)	429.97	340.43	268.67	265.00
Sugar, world (\$/kg)	0.41	0.52	0.45	0.46
Cotton (\$/kg)	2.86	2.09	1.91	2.00

Data source: World Bank, December 2024

Global Inflation and Outlook

World inflation has cooled in response to higher rates, slower growth, excess supply, and a drop in energy prices. Globally, inflation is forecast to decline to 4.3% in 2025 from 5.8% in 2024, with advanced economies, Emerging Market and Developing Economies (EMDEs), Sub-Sharan Africa and East African Community (EAC) inflation declining to 2.0%, 5.9%, 12.3% and 18.9% in 2025, respectively, as supply chains normalise, and economic policies aim to stabilise prices. In the EAC region, the depreciation of the local currency, coupled

with unfavourable agricultural conditions and supply chain disruptions stemming from the ongoing conflicts in Sudan, continues to drive up prices and the cost of living in South Sudan. South Sudan's inflation, estimated at 120.6% in 2024, is projected to drop to 79.3% in 2025. However, global inflation faces upside risks from tight financial conditions, escalating geopolitical tensions, and adverse weather conditions.

Table 4: Global Inflation and Outlook (%), 2022 -2025

Year	2022	2023	2024	2025
World	8.6	6.7	5.8	4.3
Advanced Economies	7.3	4.6	2.6	2.0
Emerging Market and Developing Economies	9.6	8.1	7.9	5.9
Sub-Saharan Africa	15.2	17.6	18.1	12.3
East African Community (EAC)	8.3	16.9	25.0	18.9

Source: International Monetary Fund, October 2024

Global inflation declined from

18.9% EAC inflation declined from 5.8% in 2024

Domestic Developments

Uganda's Economic Activity

Real GDP is projected to grow by 6.4% in FY2024/25, up from the 6.0% estimate for FY2023/24. This growth is driven by strong aggregate demand, private sector activity, manufacturing, construction, agriculture, services, exports, and oil and gas investments.

Key government programmes will further support growth, including the Parish Development Model (PDM), Emyooga, Uganda Development Bank (UDB), Uganda Development Corporation, the Small Business Recovery Fund, and the Agriculture Credit Facility. In agriculture, interventions such as quality seedlings, extension services, water for production, and affordable credit will support 6.0% growth in

FY2024/25. Industrial output is expected to rise by 5.9%, driven by agro-processing, light manufacturing, construction, and industrial parks. The services sector is projected to expand by 6.6%, led by trade, transport, finance, real estate, and tourism. Over the medium term, GDP is expected to grow 7% annually, fuelled by agro-industrialisation, manufacturing, services, oil production, and regional trade.

Figure 1: Uganda's Real GPD Growth Rate and Outlook (%), 2023/24 to 2025 /26



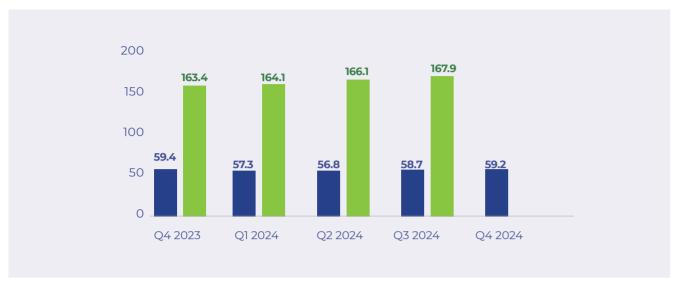
Source: Computation Based on MOFPED data, 2024/25

Business Perceptions and Economic Activity

The Business Tendency Index remained above the 50mark threshold, indicating optimism about business conditions among the private sector players. The BTI increased to 59.2 in quarter 4, 2024, from 58.7 the previous quarter, showing increased confidence about the business conditions and outlook, partly

due to the consistently higher consumer demand. Economic activity, measured by the Composite Index of Economic Activity (CIEA), also showed consistent growth, increasing from 163.4 in Quarter 1, 2024, to 167.9 in Quarter 4, 2024, driven by higher consumer demand, which boosted confidence in business conditions.

Figure 2: BTI and CIEA, Q4 2023 to Q4 2024



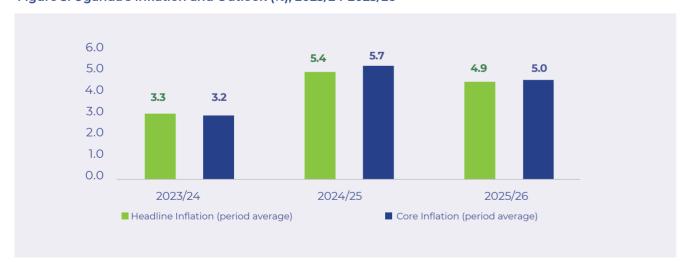
Source: Bank of Uganda, December 2024

Uganda's Inflation Trends

Annual headline inflation is projected to average 5.4% in FY2024/25, higher than the 3.3% recorded in FY2023/24. This increase is partly driven by the lagged effects of recent exchange rate depreciation and the potential rise in global commodity prices due to geopolitical

tensions in the Middle East, which could pass through to domestic prices. Over the medium term, inflation is expected to average 5.1%, aligning with the Bank of Uganda's 5.0% medium-term target.

Figure 3: Uganda's Inflation and Outlook (%), 2023/24-2025/26



Source: Background to the Budget, 2024/25

Inflation Outlook and Risks

Uganda's inflation is expected to remain below 5% over the next year, supported by stable domestic and global conditions. Previous Central Bank Rate hikes have strengthened the shilling, while favourable weather and easing global inflation have reduced food crop prices. Inflation stability is reinforced by increased capital inflows into Uganda's mining and oil sectors.

However, risks remain. Geopolitical tensions could raise commodity prices, while tighter financial conditions may weaken the shilling. On the other hand, more substantial foreign investments and subdued global inflation could further reduce inflation, ensuring a stable economic environment for growth.

Financial Sector Developments

Performance of Supervised Financial Institutions

The performance of the supervised financial institutions (SFIs) improved in the year to June 2024, supported by better macroeconomic conditions and strong liquidity and capital buffers. Total assets grew by 8.4% to UGX 53.9 trillion, driven by a 10.1% rise in government securities, a 6.8% increase in loans, and a 33.2% surge in

deposits in foreign financial institutions. The Banking sector remains profitable and well-capitalised, with after-tax profits rising to UGX 1,419.6 billion from UGX 1,399.2 billion in June 2023. Higher interest income fuelled profit growth and reduced provisions for bad debts (BOU, 2024).

Exchange Rate Movements

The Uganda Shilling remained relatively stable in 2024, appreciating by 2.7% from UGX 3,782.22 per USD in 2023 to UGX 3,681.14 per USD by year-end. This stability was supported by sustained inflows from coffee exports, remittances, portfolio investments, and foreign direct investment (FDI). Monetary policy actions and interbank foreign exchange market reforms also played a role in reducing exchange rate volatility. However, the Shilling

experienced mixed performance in November 2024, depreciating by 0.29% month-on-month to an average mid-rate of UGX 3,677.55 per USD. This was influenced by external shocks from global financial market volatility, a stronger US dollar, and increased corporate demand from oil marketing, telecommunications, and manufacturing firms.

Implication:



A stable Uganda Shilling reduces imported inflation, enhances investor confidence, and supports economic stability. However, external shocks and corporate demand pressures require vigilant monetary policy to sustain competitiveness and minimize exchange rate volatility.

Interest Rate Movements

The Central Bank Rate (CBR) rose slightly to 9.9% in 2024 from 9.8% in 2023, reflecting a cautious approach to managing inflation while supporting growth.

Meanwhile, the weighted average lending rate on

shilling-denominated credit declined to 18.1% from 18.6%, indicating improved credit conditions. In recent months, this decline was driven by gradual monetary policy easing and strong economic performance.

Implication:

Lower lending rates enhance access to credit, stimulating business expansion and investment. However, maintaining a balanced monetary policy is essential to control inflation while ensuring sustainable economic growth.

Outstanding Private Sector Credit and Net Credit to Government (NCG)

Uganda's Domestic Credit expanded from UGX 42.3 trillion in 2023 to UGX 48.1 trillion in 2024, a 13.7% increase, signalling rising credit demand due to increased business activity and government financial interventions. Net Credit to Government (NCG) surged by 26.0%, from UGX 17.1 trillion to UGX 21.6 trillion.

highlighting growing reliance on domestic borrowing for budgetary and infrastructure financing. Private Sector Credit rose by 6.7%, from UGX 23.9 trillion to UGX 25.5 trillion, indicating continued investment despite constraints.

Implication:

While private sector credit supports growth, rising government borrowing may crowd out private financing. Balancing fiscal needs and credit availability is crucial for sustainable economic expansion.

Quality of Loans in Uganda

Uganda's Non-Performing Loans (NPLs) to total gross loans ratio showed an improvement, declining from 4.60% in 2023 to 3.98% in 2024. This reduction reflects an enhancement in the Banking sector's portfolio quality, supported by a more cautious lending approach by supervised financial institutions (SFIs). The decline

in NPLs was attributed to banks prioritising credit approvals for lower-risk borrowers amidst tight liquidity conditions and increased government borrowing. This strategy has helped mitigate credit risks, contributing to overall financial stability. However, the sustainability of this improvement will depend on continued prudent risk management and favorable economic conditions.

UDB's Expanding Portfolio and Its Impact on Economic Growth

UDB's portfolio continues to expand, reaching UGX 1.67 trillion by December 2024, representing 6.6% of total private sector credit. This growth is instrumental in driving economic transformation as businesses leverage UDB's concessional financing, which offers competitive interest rates of 10% to 12% per annum on local currency.

However, commercial banks maintain dominance in the credit market, accounting for 85.7% of private sector credit. The steady growth of the UDB enhances access to affordable credit for strategic sectors, fostering industrialisation, job creation, and economic diversification.

External Sector Developments

Uganda's Export Revenues, Trade Balance, and Terms of Trade

Uganda recorded a widening trade deficit of 16%, deteriorating from \$3,149.35 million in 2023 to \$3,640.88 million in 2024. Despite this negative shift in the trade balance, the year was marked by significant growth in trade activities, primarily driven by robust export performance. Export revenues recorded an impressive 23% increase, rising from \$7,003.11 million

in 2023 to \$8,580.23 million in 2024. Concurrently, imports grew notably by 20%, from \$10,152.46 million in 2023 to \$12,221.11 million in 2024. Furthermore, the terms of trade reflected positive dynamics, showing a considerable improvement of 25%, advancing from an index of 105.93 in 2023 to 131.98 in 2024.

Uganda's Trade Balance with the East African Community (EAC)

In December 2024, Uganda recorded a trade deficit of USD93.89 million within the East African Community (EAC), with total exports amounting to USD144.01 million and imports reaching USD237.90 million. Uganda's most significant trade deficit was with Tanzania, where exports stood at USD14.37 million. In comparison, imports were significantly higher at USD166.01 million, leading to a trade deficit of USD151.64 million - the EAC's most significant negative trade balance during this period. Similarly, Uganda faced a trade deficit with Kenya, exporting USD35.93 million worth of goods while importing USD62.12 million, resulting in a USD26.20 million deficit. On the other hand, Uganda recorded trade surpluses

with several EAC member states. Notably, trade with the Democratic Republic of Congo (D.R.C.) resulted in a USD40.65 million surplus, with exports totaling USD42.92 million and imports at just USD2.27 million. Similarly, Uganda registered a USD19.05 million surplus in trade with South Sudan, exporting USD25.44 million worth of goods while importing USD6.39 million. Additionally, Uganda maintained a USD18.42 million trade surplus with Rwanda, exporting USD19.36 million worth of goods against imports of only USD0.94 million. A trade surplus of USD5.83 million was also recorded with Burundi, where Uganda's exports amounted to USD5.99 million, while imports were minimal at USD0.16 million.

Implication:

Uganda's EAC trade deficit highlights challenges in competitiveness, particularly with Tanzania and Kenya. Expanding exports, boosting value addition, and strengthening trade ties with surplus markets like D.R.C. and South Sudan are key to improving trade balance.

Uganda's Economic Outlook and Risks

According to the Bank of Uganda, economic growth is projected at 6.0-6.5% in FY 2024/25 and 7.0% in the outer years, driven by a stable macroeconomic environment, increased foreign direct investment in the extractive sector, strategic government interventions aimed at wealth creation, higher agricultural production, and anticipated to grow slower if adverse weather conditions impact food crop harvests, tight financing conditions constrain domestic budget financing due

to reduced external project funding, or global trade disruptions, and tighter financial conditions slow economic activity. On the other hand, growth could exceed projections if investments in the extractive industry expand and government interventions, alongside accommodative monetary policies, stimulate economic activity. Overall, risks to the growth outlook are tilted to the downside.

Risk Management Statement

Our Risk Management Approach in 2024

Central to executing the Bank's Business Plan is a strong culture of risk optimisation that entails shared attitudes, beliefs, and values that shape behaviors, including risk awareness, risk taking, and risk management. This is enabled by its Risk and Opportunities Management framework for sustainability.



n the wake of distressing global scenarios, including the sustained and emerging geopolitical tensions, macroeconomic volatilities, realties of climate change risk, and cybercrime threats that dominated the operating environment in 2024, risk

maturity presented unique opportunities for the Bank to harness its sustainability and operational strategies to deliver on its broad mandate as an enabler towards achieving the National Development strategies. During the year, the Board defined the overarching Risk Appetite statement, establishing the level and types of risk the Bank is willing to take, while informing the business planning process and guiding strategic decision-making. The following Risk and Opportunities Management Framework enables and guides this:

- i. Value Creation and Protection; the Bank's Risk and Opportunities Management for Sustainability (ROMS) Framework creates and protects value to generate maximum impact by leading purposefully.
- ii. ROMS are an integral part of the Bank's processes, and risk management is an essential part of all the Bank's activities.
- iii. ROMS are part of decision-making. they do not replace traditional risk management processes currently in place; instead, they facilitate integration to make day-to-day risk management more effective, enhance decision-making processes already in place, and prioritise resources.
- iv. ROMS are timely; a structured and comprehensive Risk and Opportunity Management approach contributes to consistent and comparable results.
- v. Customised: The ROMS Framework and process are customised and proportionate to the Bank's external and internal environment related to the objectives.
- vi. Transparent and Inclusive: Appropriate and timely involvement of stakeholders enables consideration

- of their knowledge, views, and perceptions. This results in improved awareness, informed risk management, appropriate decision-making, and objective achievement.
- vii. ROMS are based on the best available information; ROMS inputs are based on historical and current data and on future expectations. ROMS explicitly consider any limitations and uncertainties associated with such information and expectations. Information should be timely, transparent, reliable, and relevant to stakeholders.
- viii. ROMS consider human and cultural factors;
 Human behavior and culture significantly influence risk and opportunities management at each level and stage. The Board and Top Management provide the overall tone from the top to express the importance of risk and opportunities management throughout the Bank.
- ix. ROMS are dynamic, iterative & responsive to change; Risks or opportunities can emerge, change, or disappear as the Bank's external and internal environment changes. ROMS anticipates, detects, acknowledges, and responds to those changes and events appropriately and promptly.
- x. ROMS facilitates continual improvement & enhancement of the Bank; ROMS is continually improved through learning and experience.



Key Risk Sources to the Bank in 2024

The Bank's resilience for sustainability involved adjusting to new challenges posed by many significant global incidents, along with local developments in Uganda, that added complexity to the risk management landscape and underscored the need for an adaptable and thoughtful risk management strategy.

The critical risk sources to the Bank in 2024 included:

- i. Financial Risk Pressures: Given the persistent global economic uncertainties and macroeconomic volatility, credit risk was a significant concern. Factors such as prevalent inflationary pressures and financial market volatility were closely monitored as they escalated operational costs for projects and impacted the financial health of borrowers. which could all potentially lead to higher default rates. A dynamic approach is underway to counter ongoing economic volatilities, involving portfolio diversification and advanced credit analysis with stress testing to foresee and mitigate risks. Interest rate hedging and credit enhancements are used to manage borrowing costs and improve creditworthiness. Provisions are set aside based on historical data, anticipating future loan losses, while early warning systems and borrower engagement are in place for proactive risk management. Liquidity is meticulously managed to ensure readiness for any financial contingencies or opportunities.
- ii. Geopolitical and Regional Instabilities: Beyond the ongoing Russia-Ukraine conflict, emerging geopolitical hotspots and escalations in existing tensions continued introducing additional exogenous risks. Escalating tensions in the Middle East, particularly involving Israel and Hamas, along with instability in neighboring African countries, affected trade routes, disrupting supply chains

- and economic activities in the region. The Bank continues to monitor changes in the geopolitical and economic landscape within crucial markets and sectors, performing regular scenario analyses. This vigilance enables the Bank to implement strategies to safeguard its portfolio, which include intensified oversight, adjusting risk tolerance, and curtailing limits and exposures where necessary.
- iii. Emerging Livestock Disease Readiness: With the increased prevalence of livestock diseases observed in 2024. like Foot and Mouth Disease (FMD), the Bank remained keen on the potential for escalating animal disease outbreaks. These diseases significantly impacted livestock value chains, and the spread led to substantial economic losses, leading to increased loan deterioration. Further, disruptions in the supply chain arose from quarantine measures and restrictions on livestock movement. To mitigate the risks from the surge in livestock diseases, the Bank continued to implement a comprehensive strategy, encompassing individualised financial assessments for affected farmers and tailored moratoriums or repayment deferments on loans. The Bank designed post-relief repayment plans restructured to align with the affected farmers' revised financial situations. This approach included providing agricultural advisory services for effective disease management and recovery, facilitating access to livestock insurance, and collaborating to stabilise supply chains amidst disruptions.
- iv. Elevated Market Risks: Market risk was driven by fluctuations in global commodity prices and shifts in monetary policy. This contributed to currency exchange, interest, and inflation volatility, impacting the Bank's investments and clientele. To mitigate market risks stemming from global commodity price fluctuations and shifts in monetary policy, the Bank continued to implement

- hedging strategies to manage currency exchange, interest rate, and inflation volatility. Diversification of the investment portfolio across various asset classes was prioritised to reduce exposure to specific market risks.
- v. Intensifying Climate Change Impacts. The adverse effects of climate change continued to persist and intensify, posing significant risks to key sectors like agriculture. Extreme weather events such as droughts, floods, and unpredictable weather patterns were experienced, severely impacting agricultural production, food security, and, consequently, the financial stability of the Bank's clients in the agricultural sector. To counter the escalating risks of climate change, particularly in agriculture, the Bank focused on offering climateresilient financing options for sustainable farming practices and introduced insurance products tailored to climate-related risks. Advising clients on diversifying their agricultural practices remained key to enhancing resilience. The Bank promoted the adoption of innovative technologies for efficient
- resource use and climate monitoring, coupled with training programmes to enhance financial literacy in the face of climate uncertainties.
- vi. Cybersecurity Threats: As digital banking and financial technologies continued to evolve, cybersecurity threats posed an increasingly significant risk to the Bank. The Bank rolled out systems to mitigate sophisticated cyber-attacks that could compromise sensitive data, disrupt services, and erode stakeholder trust. The Bank continued to enhance its IT infrastructure. innovating in software lifecycle management to boost operational resilience and meet stakeholder expectations. The Bank's specialised team vigilantly evaluated cyber threats, constantly improving defenses against complex cyber risks. Further, the Bank deployed in-depth cybersecurity efforts, focusing on cloud security, access controls, and analytics, and evaluations to address emerging technology challenges. Cyber risk assessments were routinely conducted to reinforce governance.

Key Risk and Opportunities Management Actions in 2024

In 2024, UDB adeptly navigated its operational landscape, adjusting to evolving challenges. The Bank was keenly attuned to its operational context, continuously evaluating the impact of changing factors on its financed ventures. Amid rising credit costs and the subsequent tightening of monetary policies, the Bank maintained robust communication with its clientele to manage credit risks effectively. UDB offered tailored credit solutions, including moratoriums, grace periods, and consultancy services, to bolster the endurance and success of projects.

Acknowledging the industry sector's vulnerability to macroeconomic shifts and supply chain disruptions,

which could lead to project delays and potential credit defaults, UDB adopted an anticipatory risk management strategy. This involved meticulous project monitoring by the supervision team to ensure agile adaptations to the business climate.

The Bank also instituted prudent credit administration limits to avoid excessive concentration in specific borrowers or sectors. Throughout the year, UDB's capitalisation remained strong, supported by a diversified funding base that includes debt, shareholder contributions, and internally generated funds. This robust financial position is expected to continue in the coming years.



The Bank's resilience for sustainability involved adjusting to new challenges posed by many significant global incidents, along with local developments in Uganda.



The Bank maintained robust communication with its clientele to manage credit risks effectively.

 $lacksquare{63}$

The Bank's Risk-Reward Management Approach

The identification and management of risk, steered by the principles of the Enterprise Risk Management Framework, are at the core of the Bank's strategic planning and execution.

Figure 4: UDB's Risk-Reward Approach



Following a thorough situational analysis, the Bank outlined ambitious objectives to foster socio-economic growth and fill the void left by traditional commercial banking. These objectives include the implementation of innovative intervention models to boost impact delivery, the pursuit of prudent growth within its investment portfolio, the mobilisation of funding to support sustainable socio-economic initiatives, the enhancement of organisational excellence through the optimisation of its workforce, processes, and systems, and the advancement of its role as a thought leader in socio-economic development both locally and internationally.

By providing patient capital to underserved sectors, the Bank sought to strike a balance between risk and reward, ensuring sustainable finance solutions that benefit not only itself and its private sector partners but also significantly impact national development. This strategy was underpinned by a robust enterprise risk management framework, encompassing a clear risk governance structure, a comprehensive risk management process, and a detailed risk landscape designed to manage risks efficiently and fortify the Bank's strategic objectives..

Key Components of the UDB Risk and Opportunities Management

The Bank's risk management framework

The table below and descriptions summarise key aspects of the risk management framework, including governance, structure, risk management tools, and

the Bank's culture. Together, they help align employee behaviors with risk appetite.

Table 5: Key components of UBD's Risk and Opportunities Management for Sustainability framework

Risk governance	Non-executive risk governance Executive risk governance	The Board approves the Bank's Risk and Opportunities Management for Sustainability framework, which is the overarching enterprise risk management document, hence sets the tone from the top. The Executive Committee is responsible for the enterprise-wide management of all risks, including key policies and frameworks for managing risk within the Bank. The Executive Committee delegates risk management oversight to the Risk Management Committee.
Roles and responsibilities	Three lines of defence model	The 'three lines of defence' model defines roles and responsibilities for risk management. An independent Risk Management function helps ensure balance in risk/opportunities decisions. At the same time, internal audit provides reasonable assurance of the adequacy of risk management across the Bank as the third line of defence.
Processes and tools	Risk appetite Enterprise-wide risk management tools Active risk management: identification, assessment, monitoring, management, and reporting	The Bank has processes to identify, assess, monitor, manage, and report risks to help ensure it remains within its risk appetite.
Internal controls	Policies and procedures Control activities Systems and infrastructure	Policies and procedures define the minimum requirements for the controls required to manage risks and opportunities. Operational and resilience risk management defines minimum standards and processes for managing operational risks and opportunities, as well as internal controls.
		The Bank has systems and processes that support the identification, capture and exchange of information to support risk management activities.

The Bank's Risk Governance:

Risk governance at the Bank is an integral aspect of corporate governance, with oversight from the Board of Directors clearly focusing on the Bank's Mandate, Vision, and Mission.

Figure 5: UDB's Risk Governance Model



The ultimate accountability for the risks the Bank undertakes lies with the Board of Directors, which endorses the Bank's strategic direction and risk tolerance and supervises the activities of the Executive Committee. To ensure more effective risk supervision. the Board entrusts the Board Audit and Risk Committee with the task of guiding the creation, execution, and continuous improvement of the Bank's risk management approaches.

The Executive Committee, led by the Managing Director and composed of senior management-level Directors, is charged with implementing the agreed-upon strategy while carefully managing inherent and residual risks. Additionally, the Risk Management Committee, which operates under delegated authority, provides detailed oversight of the Bank's Enterprise Risk Management framework, including its practices, procedures, and risk reporting.

Risk Management Implementation Approach

UDB's risk management and general control systems are consistent with the three lines of defense model.

1st Line of Defence

Management is ultimately responsible Constituting the Bank's Risk and and accountable for establishing, maintaining, and ensuring proper control, risk management, and governance processes. Management identifies and manages risks per the approved business strategy and risk appetite limits.

2nd Line of Defence

Compliance functions, the second line of defence undertakes risk assessment at an aggregate level in complement to the first line of

3rd Line of Defence

The Internal Audit Directorate provides reasonable assurance to the Board on the adequacy of the Bank's risk management framework. The statutory external audit complements this independent assurance.

Overview of the Bank's Risk Profile

UDB faces a combination of existing and emerging risks from its business model, mission fulfillment, and internal and external operating conditions. The table below (Table 1) outlines the different types of risks encountered by the Bank in 2024.

Table 6: UDB Risk Universe 2024

Main Risk Category	Risk Sub-Category	Business Activities	UDB – Responsible department or function
	Credit risk in lending	Lending	Credit Department
	Credit concentration risk	Lending	Credit Department
Credit risk	Equity risk	Equity Investment	Investments
	Credit risk in treasury	Treasury	Treasury function
Market risk	Interest rate risk in the Banking book	All activities	Treasury function
	Currency risk	Treasury	Treasury function
Liquidity risk	Liquidity & Funding risk	All activities	Treasury function
	Business Technology & Security risk	All activities	Business Technology
Operational risk	Business Model risk	All activities	Risk & Compliance
	Compliance risk	All activities	Compliance function
	Process risk	All activities	Risk & Compliance
	Business Continuity risk	All activities	Risk & Business Technology
	Legal risk	Lending	Legal
	Conduct risk	All activities	Compliance function
	Human Capital risk	All activities	Risk & Compliance
Strategic risk		All activities	Strategy
Reputational Risk		All activities	Corporate Affairs
Climate change & Environmental risks		Lending operations	Risk & Compliance

Risk Assessment approach

Following the Board's endorsement of the business strategy, the Bank conducts a comprehensive risk assessment to align with the strategic initiatives approved for the upcoming year. This process aims to identify potential risks linked to the opportunities the Bank plans to pursue, proactively develop risk mitigation strategies, and compile a set of early warning indicators or key risk metrics. The result is a risk register that reflects the Bank's financial and sustainability strategy.

By integrating strategic planning with risk management, the Bank ensures its risk appetite statement is reviewed and updated annually. This process is further supported by regular risk and control self-assessments and independent evaluations conducted by the second and third lines of defense, enabling monthly updates to the Bank-wide risk register.

Risk Control

The risk and opportunities management framework provides detailed guidelines on risk control approaches to be pursued by the Bank, leveraging the conventional risk control strategies of acceptance, avoidance, transfer, and control. Each risk is assigned a risk owner responsible for promptly undertaking risk control actions. To complement risk control, contingent measures are approved to minimise the impact when risks materialise into events. These business continuity measures are reviewed and tested from time-to-time.

Risk Monitoring

Given the dynamic nature of the risk profile, the Board and Management keep track of risk through a mix of risk monitoring tools and reports. The Management committees undertake monthly reviews of the risk profiles with direct oversight of the Executive Committee. In contrast, the Board of Risk and Audit Committee undertakes quarterly reviews, which are also under the complete Board's oversight. Further, the Internal Audit supports the assessment of the adequacy of the risk management processes with independent reports to the Board.

Outlook for 2025

With 2025 being the start of a new 5-year strategic cycle for the Bank, the risk management focus will encompass several critical initiatives to further strengthen the risk framework and ensure sustainable growth. This will include the following:

- i. With a focus on investment in transformative projects, the Bank will continue to onboard strategic partnerships to leverage portfolio and project-specific guarantee opportunities. This will support its ambitious mandate of delivering the country's disruptive socio-economic impact in the next five years.
- ii. Funding Mobilisation for Sustainable Development:
 To drive its transformative strategy, the Bank will
 leverage its sustainability blueprint to tap into new
 funding opportunities, including, but not limited to,
 attracting private equity to tap into resources from
 investors whose investment appetite aligns with
 the broader mandate of UDB, which is financing

- for sustainable development impact. The Bank has already made significant strides in this effort, which shall boost the Bank's liquidity diversification agenda.
- iii. In the wake of emerging and changing technologies, the Bank has upgraded its core and peripheral systems to align with changing technological advancements and provide an exceptional banking experience for its clientele. These new upgrades will also cater to the evolving needs for cyber and security risk management, which is one of the global risks for 2025.
- iv. Enhancing operational efficiency through process reengineering, digitalisation, or automation will also drive more staff productivity. This is also aligned with initiatives under the Bank's sustainable operations alignment plan.
- v. Advancing Thought Leadership through varied interventions.



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2025 being the start of a new 5-year strategic cycle for the Bank, the risk management focus will encompass several critical initiatives to further strengthen the risk framework.

2024 Strategic Performance and 2025 Strategic outlook

In 2020, Uganda Development Bank commenced implementation of its five-year Strategic Plan 2020-2024. As the country's only national Development Finance Institution (DFI), this strategic plan is aligned with the 3rd National Development Plan in terms of both the key areas of focus and the implementation period.



A Mr. Moses Ogwapus, Commissioner Financial Services Department at Ministry of Finance and Mr. Wilbrod Owor, Executive Director Uganda Banker's Association, during a UDB Stakeholder meeting.

ver the strategy period and as part of its sustainability strategy, UDB's interventions are guided by three High Impact Goals, which are further underpinned by the Bank's Purpose Statement: "Improving the quality of life of Ugandans".

The three High Impact Goals (HIGs)



Goal 1:

Build a Sustainable Agrifood System for Uganda

In 2024, the Bank set out to invest UGX 350 billion (debt) and UGX 10 billion (private equity) These investments were to be channelled through the Bank's priority areas.

By the end of 2024, UGX 455.2 billion had

been approved to extend funding to various



GOAL 2:

Promote Sustainable Industrialisation in Uganda



Goal 3:

Develop a Sustainable Services Sector in Uganda



SMEs billion

27 start-ups

enterprises including:





UGX 193.3 the Central

It is anticipated that achieving the HIGs will increase household incomes with a medium to long-term impact of improving the quality of life of Ugandans.

2024 Strategic Performance

In 2024, the Bank concluded the implementation of its 5-year Strategic plan through the 2024 Business plan focused on achieving five objectives.

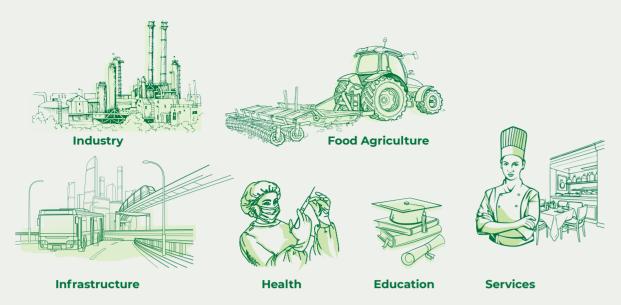
- 1: Execute innovative intervention models to enhance impact delivery
- 2: Pursue prudent growth and quality of the investment portfolio
- 3: Mobilise appropriate funding to finance sustainable socioeconomic transformation
- 4: Strengthen organisational excellence by optimising people, processes, and systems
- **5:** Advance the Bank's position as a thought leader in socio-economic development issues in the country and beyond



Achieving the HIGs will increase household incomes, thereby improving the quality of life of



UDB's Allan Joshua Mwesiga (Director Strategy and Corporate affairs) (left), Hon. Godfrey Kabbyanga (State Minister for National Guidance), Dr. Francis Mulekya and Mr. Isaac Balinandi (Directors of Bwera School of Nursing and Midwifery) at the UDB 2024 Annual Press Briefing



NDPIII aims at harnessing both government and private sector strengths, in a mixed economy approach, to grow Uganda's real economy through domestic production of goods and services of at least the basic necessities of livelihood

UDB's Role in Supporting SDG's and NDP III

As the Government's primary development financier, UDB aligned its Strategic Plan 2020-2024 to the country's Vision 2040, now under implementation through the National Development Plan III (NDP III). Consequently, the 2024 Business Plan was aligned with the NDP III. In 2024, the Bank made strides towards supporting the operationalization of the different NDP

III programmes. The Bank approved UGX 455.2 billion which contributed to the different NDP III programmes. Significant contributions were noted under Agroindustrialisation, tourism development, manufacturing, human capital development (health and education) and above all private sector development and regional development as is represented in the Table below.

Table 7: Contribution toward operationalising NDP III development programmes (Jan – December 2024)

NDP III development program	No. of approved projects	Loan Approvals in UGX billion (YTD)
Agro industrialisation	25	88.31
Tourism development	32	29.49
Private sector development	171	455.2
Manufacturing	32	219.67
Integrated transport infrastructure and services	12	81.96
Human capital development (health and education)	52	17.78
Regional development	171	455.2
Digital transformation	1	12.00

Source: UDB database and Field Appraisal data



As the Government's primary development financier, UDB aligned its Strategic Plan 2020-2024 to the country's Vision 2040

Strategic Outlook for 2025

In 2024, the Bank engaged in a rigorous strategic planning process to determine its aspirations for the next five years (2025-2029). In the new strategy, the Bank intends to elevate its impact and seeks to deliver the next generation development finance. To do this, the Bank will expand its services beyond provision of credit to the private sector but will seek to crowd in development finance from various local and international sources to finance investments in the country.

Consequently, the Bank will increase its capacity to develop and prepare catalytic projects and programmes, link funders to investors, support domestic resource mobilisation for projects, offer project development and project finance advisory services to government and the private sector, develop a pool of projects and identify potential investor and create credit demand.

Additionally, the Bank will embark on a set of new initiatives. It will commence the process to transform itself from demand-driven delivery models to more supply-driven models for demand creation. The Bank will seek to undertake more transformative investments, using a programmatic approach. Additionally, through the RISE ("Reshaping Industries for a Sustainable Economy") initiative, the Bank will create demand for sustainable finance by turning key

societal, economic, and environmental challenges into world-changing business opportunities. Together with select stakeholders, the Bank will make strategic investments in the economy through exploiting science and technology, new and innovative business models, fueling innovation in the economy and igniting corporate and start-up entrepreneurship to fast-track socio-economic transformation that is environmentally and climate friendly. In addition, the Bank will engage with existing key players, newcomers and disruptors in the energy, and agricultural sectors among others to spur socio-economic development.

The Bank continues to ensure alignment of its business plans with national development priorities, and as part of its business planning process for 2025, reviewed the NDP IV as well as explored other emerging government priorities, including the ten-fold growth strategy.

Additionally, the Bank reviewed performance of its 2024 business plan with the aim of determining the plan's effectiveness as well as identifying areas where the Bank could improve lagging initiatives. As a result, the 2025 business plan is anchored on operationalising the Strategic Plan 2025-29 whilst taking into account the performance from 2020 - 24, lessons learned therefrom and other emerging national priorities.

Following the Bank's strategic planning process, the Bank sets out to achieve the following strategic objectives in 2025 and beyond:



Leverage a supplydriven approach to scale up investments in public and private sector projects that foster long-term socio-economic transformation.

Strengthen the Bank's position as a thought leader in socio-economic development issues in the country and beyond

Innovative resource Leveraging technology and mobilisation for domestic investment. innovation, and operational organisational

optimising human talent to enhance efficiency, strengthen resilience and ensure the effective delivery of the Bank's strategy.

partnerships to deliver sustainable impact

Leveraging

These objectives will be realized through the implementation of various initiatives in the sustainability and operational plans. The following is a summarised representation of the Bank's 2025 Sustainability strategy.



Mainstreaming Sustainability

The government recognises the need for high-quality and inclusive development planning to consolidate gains and advance achievement of sustainable growth. The National Development Plan (IV) underwent an exhaustive consultative process and will be a vehicle for accelerating Uganda's sustainability and Vision 2040.

The Government has identified key growth sectors and accelerators based on their impact. In addition, Sectoral and Local Government plans and policies have been enhanced to address systematic challenges as a key principle of the National Development Plan.

28°C 2020 from 20°C in

the 1950s

Uganda's increase in average surface temperatures over the past seven decades

As an institution mandated with Uganda's socioeconomic development agenda, UDB continued to make significant strides in its sustainability agenda, positively impacting society, the economy, and the environment. This was all underpinned by a growing balance sheet, supporting the Bank's core lending activities. This is not growth for its own sake. It is only by

The 2024 Annual Report provides stakeholders with

delivering it's sustainability ambitions that underpin

UDB's business strategy, and commitment to inspiring

a transparent account of the Bank's progress in

development.

pursuing sustainable development that we can fulfil our purpose of Improving the quality of life of Ugandans: playing our part in addressing the challenges faced by millions of people who still lack access to affordable financing and the wider transformation of economies that will drive sustainable development.



△ UDB and its Managing Director, Patricia Ojangole, for the third year running won the Sustainability Leader of the Year Award at the prestigious Annual Karlsruhe Sustainable Finance Awards.

productivity, essential for most of Uganda's population relying on rain-fed agriculture.

According to the Notre Dame Global Adaptation Initiative (2023) country index, Uganda is the 14th most vulnerable and the 163rd most ready country.

With the primary purpose of "Improving the quality of life of Ugandan's", the Bank continued to support investments in both private and public sector enterprises that demonstrated potential to enhance the quality of life of Ugandans through safer, better, and

his warming trend correlates with global climate patterns. It is accompanied by an alarming increase in the maximum number of consecutive dry days, signaling a shift towards drier conditions threatening water availability and agricultural

higher paying jobs; promote entrepreneurship and innovation; enable inclusive prosperity; help boost and build economic resilience; and create a high-income and internationally competitive and future proof economy. This support was given due consideration to achieving climate neutrality, where enterprises use resources efficiently, while preserving and enriching the country's biodiversity.

These investments were made in the country's priority sectors, which included primary agriculture, agroindustrialisation, and manufacturing, which accounted for over 70% of the bank's portfolio. The bank also continued investing in education, health, tourism, and infrastructure. During 2024, the Bank extended UGX 455.2 billion in facilities to both the private and public sector enterprises. This was in addition to the Bank's non-financial interventions, which included several enterprise development programmes and trainings delivered by the Business Acceleration for Sustainable Enterprises (BASE) function. These non-financial interventions are geared towards providing business training opportunities for SMEs, with the primary

In driving positive social impacts, the projects the Bank supported are poised to generate tangible development outcomes. The details are in the adjoining pages of this report.

From an environmental standpoint, the Bank remained steadfast in upholding environmental standards and continued to adopt several environmental risk management strategies and tools. These strategies and tools were used to identify, assess, and prioritise enterprises demonstrating a strong commitment to environmental sustainability, including monitoring their operations throughout their life-cycle.

While in its pursuit of creating positive impacts in society, economy, and environment, the Bank was granted the Sustainability Certification for adopting the Sustainability Standards Version 2.0. The Certification was conferred on UDB at the Karlsruhe Sustainable Finance Award on November 22, 2024, held in Karlsruhe, Germany.

The Bank completed the Sustainability Standard Version 2.0 to merit the Award. The Uganda Development Bank

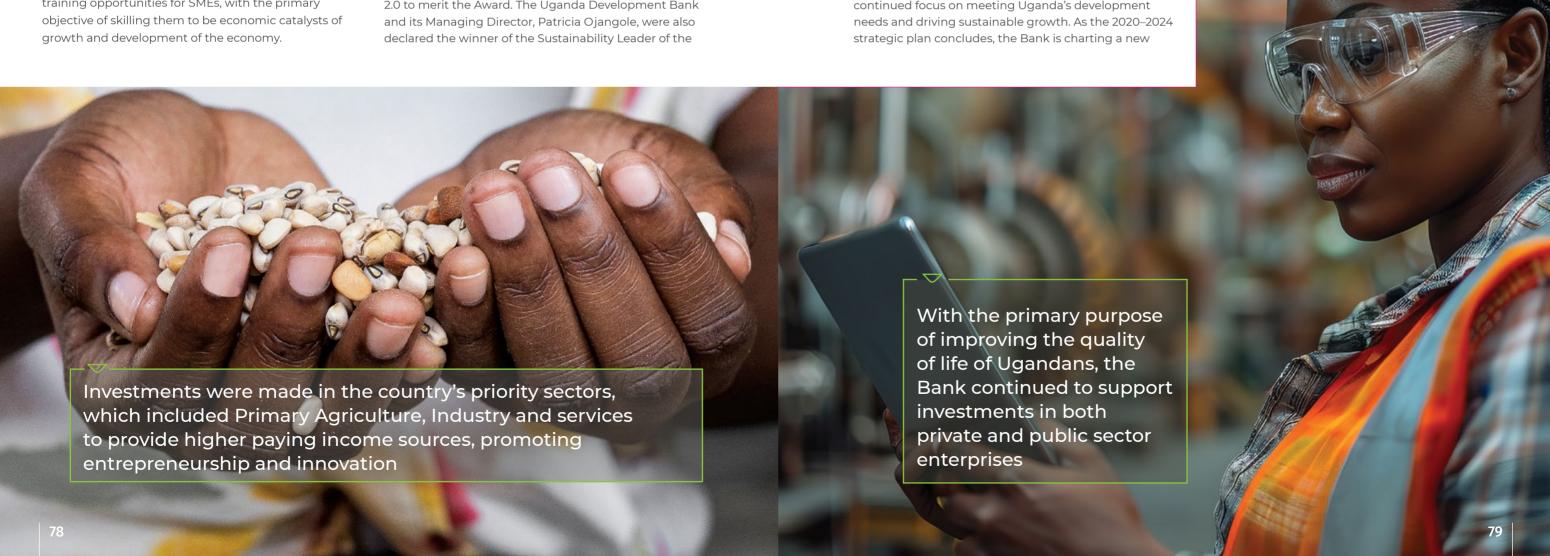
Year Award 2024. This achievement was a testament to the Bank's strong governance structure for delivering social, economic, and environmental sustainability and taking climate action through its financial and non-financial services. By excelling in adapting holistic standards and undergoing a rigorous compliance process, the Bank has built a strong organisational capacity in mobilising, lending, and investing funds for high sustainable impact.

It is a significant milestone for UDB and positions the Bank as a key player in creating an inclusive, green, and sustainable Ugandan economy.

Beyond all the above, the Bank continued to support several financial institutions in implementing holistic sustainability through the i-Lead Group. The Bank remains committed to prioritising and mainstreaming holistic sustainability in its practices, promoting this approach, and inspiring all other stakeholders to raise awareness of sustainable development.

UDB's underlying strategy remains unchanged, with continued focus on meeting Uganda's development

course for 2025–2029. This next plan aims to transform Uganda's economy by adopting business models that turn societal, economic, and environmental challenges into opportunities for sustainable finance. These models will guide the Bank's investments, loans, and advances, leveraging science, technology, and innovation to reshape industries, support entrepreneurship, and accelerate inclusive, climate-conscious socio-economic transformation.



Enabling a Sustainable Private Sector

UDB is more than just a financial institution; it is a transformative force. The Bank is devoted to empowering individuals and businesses across Uganda, stimulating socio-economic growth, and paving the way for a brighter future for Uganda. The Bank's loan portfolio experienced remarkable growth in 2024, increasing to UGX 1.67 trillion, a testament to UDB's continued commitment to fostering Uganda's socio-economic development.



Portfolio (Gross Ioan) Distribution by Sub-region [UGX billion]

Investment Footprint

West Nile **28.7**

Acholi **40.2** Ankole **149.1** Bukedi **10.2** Bunyoro **25.9** Busoga **106.7** Elgon **33.8** Kampala **299.3** Karamoja **24.2** Kigezi **28.2** Lango **60.4** North Buganda **492** South Buganda **274.8** Teso **12.6** Tooro **58.0**

Grand Total 1,644.1

Table 8: Portfolio by sector

Portfolio by Sector as at 31st December 2024		
Sector	Amount(UGX billion)	
Health	144.99	
Education	20.33	
Manufacturing	411.24	
Agro- Ind	384.83	
Mineral Based	25.91	
Infrastructure	258.03	
Other	54.09	
Primary Agriculture	226.12	
Tourism & Hospitality	118.36	
Geand Total	1,643.90	

Table 9: Portfolio (Gross Loan) Distribution by District

District	Amount (UGX billion)	District	Amount (UGX billion)	District	Amount (UGX billion)	District	Amount (UGX billion)
Adjumani	4.1	Jinja	72.2	Kiryandongo	2.0	Mubende	66.4
Alebtong	1.7	Kaabong	0.7	Kisoro	16.7	Mukono	258.5
Apac	40.5	Kabale	4.1	Kitagwenda	1.0	Nakapiripirit	8.4
Arua	7.3	Kabarole	1.9	Kitgum	3.0	Nakaseke	4.4
Buhweju	0.9	kaberamaido	0.7	Kole	2.5	Nakasongola	8.3
Buikwe	106.6	Kalangala	0.6	Kyankwanzi	12.0	Nebbi	8.1
Bukedea	1.0	Kaliro	1.8	Kyegegwa	1.6	Ntungamo	21.8
Bulambuli	14.5	Kalungu	6.4	Kyotera	1.5	Nwoya	2.4
Buliisa	0.7	Kampala	296.3	Lamwo	1.0	Omoro	0.7
Bunyangabu	1.5	Kamuli	28.9	Lira	14.1	Otuke	0.7
Bushenyi	7.3	Kamwenge	12.7	Luwero	13.7	Pader	1.0
BUSIA	0.9	Kanungu	5.2	Lyantonde	3.0	Pakwach	1.0
Butambala	5.6	Kapchorwa	2.8	Madi okollo	5.9	Pallisa	4.7
Buvuma	1.8	Karenga	0.7	Masaka	5.2	Rubirizi	3.7
Dokolo	0.8	Kasese	22.8	Masindi	0.8	Rukiga	0.8
Entebbe	1.2	Kassanda	1.4	Mayuge	2.1	Rukungiri	0.7
Fort Portal	29.1	Katakwi	0.8	Mbale	14.5	Sironko	0.7
Gomba	2.2	Kayunga	1.3	Mbarara	106.9	Soroti	8.8
Gulu	32.0	Kazo	0.9	Mitooma	1.7	Ssembabule	1.3
Hoima	7.1	Kibaale	2.2	Mityana	15.8	Tororo	2.6
Ibanda	1.8	Kiboga	6.5	Moroto	13.2	Wakiso	239.9
Iganga	1.1	Kikuube	0.8	Moyo	1.3	Yumbe	1.4
Isingiro	3.4	Kiruhura	3.0	Mpigi	9.6	Zombo	0.8

Table 10: 2024-Approvals by Sector and Sub-region

Approvals by Sector		Approvals by Sub-region	
Sector	Amount(Ushs billion)	Sub-region	Amount (UGX billion)
Agro-Industrialisation	91.3	Acholi	13.6
Creatives	12.0	Ankole	15.9
Education services	5.8	Bukedi	1.5
Health Services	20.5	Bunyoro	2.4
Infrastructure	70.9	Busoga	15.1
Manufacturing	209.3	Elgon	.6
Primary Agriculture	15.0	Kampala	103.3
Tourism & Hospitality	30.3	Karamoja	5.5
Grand Total	455.2	Kigezi	6.8
		Lango	7.1
		North Buganda	190.0
A /51	5 2	South Buganda	76.0
455.2 Approvals [UGX Bn]		Teso	2.3
		Tooro	9.3
		West Nile	5.7
		Grand Total	455.2

Table 11: 2024-Approvals distribution by district

District	Amount (UGX billion)	District	Amount (UGX billion)	District	Amount (UGX billion)
Adjumani	0.3	kaberamaido	0.7	Lyantonde	2.2
Agago	0.7	Kagadi	0.1	Mayuge	1.2
Amuru	0.3	Kalungu	0.4	Mbale	0.6
Apac	4.2	Kampala	103.3	Mbarara	1.5
Arua	2.9	Kamuli	0.6	Mitooma	0.3
Buhweju	0.1	Kanungu	1.0	Mityana	13.3
Buikwe	44.4	Kasese	7.8	Moyo	0.3
Buliisa	0.2	Kassanda	0.3	Mpigi	5.0
Bundibugyo	0.3	Kazo	0.3	Mubende	0.3
Bunyangabu	0.5	Kiboga	0.9	Mukono	103.5
Bushenyi	4.1	Kikuube	0.3	Nakaseke	0.6
BUSIA	0.3	Kiruhura	9.5	Nakasongola	6.1
Buyende	0.2	Kiryandongo	0.2	Namutumba	0.1
Dokolo	0.3	Kole	0.8	Napak	5.5
Entebbe	0.1	Kumi	0.2	Rubanda	0.3
Fort Portal	0.2	Kyankwanzi	0.1	Rukungiri	5.4
Gulu	12.5	Kyenjojo	0.6	Soroti	1.4
Hoima	1.6	Kyotera	0.8	Tororo	1.2
Ibanda	0.1	Lamwo	0.2	Wakiso	67.6
Jinja	12.9	Lira	1.9	Yumbe	2.2
Kabale	0.1	Luwero	20.6	Grand Total	455.2

Table 12: Disbursements by Sector and Sub-region

Disbursements by Sector		Disbursements by Su	Disbursements by Sub-region		
Sector	Amount (UGX billion)	Sub-region	Amount (UGX billion)		
Agro-Industrialisation	124.6	Acholi	5.7		
Education services	3.4	Ankore	5.7		
Health Services	22.9	Bukedi	2.1		
Infrastructure	40.7	Bunyoro	5.3		
Manufacturing	154.4	Busoga	7.8		
Primary Agriculture	25.3	Elgon	6.9		
Tourism & Hospitality	17.5	Kampala	78.4		
Grand Total 388.7		Karamoja	0.1		
		Kigezi	2.3		
		Lango	14.2		
		North Buganda	154.9		
	88.7	South Buganda	84.8		
	Disbursements		1.0		
[UGX Bn]		Tooro	17.9		
		West Nile	1.7		
		Grand Total	388.7		

Table 13: 2024-Disbursements distribution by district

District	Amount (UGX billion)	District	Amount (UGX billion)	District	Amount (UGX billion)
Apac	13.6	Kampala	78.4	Lyantonde	1.1
Arua	0.8	Kamuli	5.0	Masaka	2.0
Buhweju	0.2	Kanungu	1.2	Mayuge	1.3
Buikwe	18.3	Kapchorwa	0.6	Mbale	6.2
Buliisa	0.5	Karenga	0.1	Mbarara	1.2
Buliisa	0.1	Kasese	14.9	Mityana	7.4
Bushenyi	2.8	Katakwi	0.2	Moyo	0.3
BUSIA	0.2	Kazo	0.3	Mpigi	9.0
Butambala	2.3	Kibaale	0.2	Mubende	1.5
Buvuma	1.1	Kiboga	0.9	Mukono	112.1
Dokolo	0.2	Kikuube	0.2	Nakaseke	0.6
Entebbe	0.1	Kiruhura	0.4	Nakasongola	2.5
Fort Portal	1.3	Kiryandongo	0.1	Nebbi	0.0
Gulu	4.0	kisoro	0.5	Pader	1.6
Hoima	4.3	Kitagwenda	0.1	Rubirizi	0.4
Ibanda	0.1	Kole	0.1	Soroti	0.8
Isingiro	0.3	Kyankwanzi	0.0	Ssembabule	0.0
Jinja	1.5	Kyenjojo	1.6	Tororo	1.9
Kabale	0.5	Kyotera	1.0	Wakiso	60.5
kaberamaido	0.1	Lamwo	0.1	Yumbe	0.5
Kalungu	7.8	Lira	0.4	Luwero	11.6



Employment 17,832

Turnover UGX 9,348 billion

UGX 455.1 billion

Forex UGX 1,808.5 billion Profitability
UGX 1,778
billion











The Bank approved UCX 455.2 billion to support private sector development across various regions, aiming to boost private-sector-led growth, shared prosperity, and overall economic development. The majority of the 77 approved loans went to the Primary Agriculture sector (45), followed by Manufacturing (32)

Manufacturing

Agriculture

45/77

Approved loans

UDB LOAN Application process

Α

Express interest

Complete an application form (available on the website)/formal letter addressed to the Director of Investments detailing requirements.

В

Submit the requisite documents

- Business constitution documents e.g Company registration documents, memorandum and articles of association, certificate of incorporation, etc)
- Previous transaction history e.g audited accounts, cash flow projection, budget estimates etc.
- Details of the proposed security for the requested loan, including current valuations.
- Feasibility report/business plan (business plan guide/outline is available on the website)
- Bank statement for the past 12 months (Where applicable)

C

Review of application

 UDB reviews and provides feedback

APPLICATION REVIEW PROCESS

Applications are received and considered by a Deal Review Committee to ensure that they fall within the bank's eligible sectors and meet the minimum requirements of feasibility and viability. At this stage, applications can be declined, and the applicant is advised accordingly.

1

Upon approval of applications, legal documentation will be prepared and shared with the successful applicant, who will be required to sign and return these to the bank upon fulfilment of the conditions precedent.

4

Once an application is cleared by the Deal Review Committee, a term sheet will be issued to the client with additional requirements. The client is then required to sign the term sheet, provide any additional supporting information, and pay the appraisal fee for the application to progress for full appraisal and due diligence.

2

After documentation and security perfection have been fully completed, facilities will be disbursed in line with the agreed schedules, followed by strict monitoring of its compliance with conditions subsequent and facility performance.

5

After full appraisal, the application is prepared and presented to the Credit Committees at either/or both Management and Board levels depending on the complexity and amounts requested.

3

Note that the bank reserves the right to cancel or grant the loan facility at its discretion even where the applicant meets all the eligibility criteria.



Building a more equitable society

UDB has crafted a compelling value proposition explicitly tailored for Small and Medium Enterprises (SMEs) in Uganda. By offering a potent mix of financial and non-financial solutions, the Bank effectively de-risks the SME sector and unlocks essential credit that businesses need to thrive. Under this proposition launched in 2021, the Bank has directly supported over 250 SMEs.

In December 2021, Uganda Development Bank Limited (UDB) created the Special Programmes to serve SMEs, youth, and women enterprises. The special programmes aid the implementation and management of interventions and Innovations, targeting eligible businesses, from startups to existing enterprises, with appropriate financial and non-financial solutions.

As a prudent risk management measure, 20% of the Bank's paid-up capital is allocated to the special program's portfolio. In 2024, 83 projects with a total value of UGX 27 billion were approved for funding under special projects, compared to UGX 25 billion approved in 2023.

The Bank tracked the five root core indicators, including the projected jobs, projected output value, profitability, taxes, and projected forex earnings arising from the UDB financing to Special Programmes. Specifically, the approved projects are projected to generate 2,443 jobs, UGX 178.18 billion in output value, UGX 54.6 billion in profits, UGX 16.4 billion in taxes to government, and UGX 3.89 billion in forex earnings.

Overall, the primary agriculture sector received the highest approvals in projects and loan amounts, followed by manufacturing, tourism and hospitality, emphasising the Bank's commitment to propel key growth sectors of the economy as outlined in the National Development Plans. Other projects approved within the special programme segment fell under human capital development (education and health) and infrastructure.





Tourism and hospitality sector received some of the highest approvals in projects and loan amounts



Business Accelerator for Successful Entrepreneurship (BASE)

Improving SMEs, Women's, and Youth business management skills is critical for the success of their enterprises. In this regard, the Bank provides capacity development assistance to entrepreneurs to facilitate easier access to finance and support the long-term success of their enterprises. These interventions are achieved by leveraging a collaborative approach with like minded partners.

BASE bridges the gaps between SMEs and access to finance, making these enterprises investor-ready while ensuring sustainability. The Bank offers two propositions under BASE:

Enterprise Development Programme (EDP)

This programme supports enterprises, including startups and established businesses, that require Advisory Support to access funding from the Bank or other financial institutions, or to sustain their operations. EDP is executed through incubation, acceleration, and handholding Programmes.

Business Acceleration Product (BAP)

This program supports existing UDB with technical assistance in debt management, business growth and other advisory for enterprise sustainability.

Enterprise Development Program (EDP)

This programme entails the following activities:

- i. Regional training and capacity building.
- ii. Business Incubation and acceleration
- iii. Sector-focused master classes.
- iv. Structured short courses.
- v. Resource and data center.
- vi. Structured partnership programmes with capacity-building and skilling entities.

EDP activities



Under EDP, 450 entities have been trained across the country.



held in August 2024 with 60 participants from the central region. 21 entities are in the pipeline to receive funding.



EDP has run 12 entrepreneurship skilling workshops across the country.



Partnerships with UWEAL, CHEMONICS, USSIA, MUBS, UMI, URSB, URA, NSSF, and UNBS have boosted product uptake and connected SMEs to financiers.



Project Preparation

The UDB Project Preparation product aims to unlock technical and financial bottlenecks to catalyse viable and impactful project ideas. Many potentially impactful project ideas often fail to materialise into actual projects due to the required extensive early-stage investment and technical skills. UDB's Project Preparation unit also develops targeted funding initiatives to enable access to the Bank's products and services. The Bank has to-date committed UGX5.066 billion towards preparing various projects and targeted funding initiatives. Below are some of the highlights:

Projects / Interventions currently supported under the Project Preparation Unit

Table 15: Projects / Interventions in the agricultural space

Project / Intervention	Description
Research to enable local development of high-yielding and high oil content sunflower seed varieties.	In partnership with the Uganda National Agricultural Research Organisation (NARO), the Bank funded pioneering research to develop high-yielding, high oil-content sunflower seed varieties-in a bid to address the country's reliance on imported sunflower oil. Successful field trials have been completed, and three promising seed varieties are slated for release in 2025. The Bank will further support the replication and commercialisation of these varieties, thereby driving import substitution and boosting local agro-industrial capacity.
Harnessing technology to enable remote farming	In harnessing technology to revolutionise livestock farming, the Bank is piloting a digital solution that enables remote monitoring of animal health, movement, water access, and other key indicators. Through the use of smart digital tags, this innovation aims to enhance productivity, reduce losses, and empower farmers with real-time data for better decision-making.

Table 16: Infrastructure Projects / Interventions

Project / Intervention	Description
Development of an 80-container cargo vessel on Lake Victoria and a cargo handling facility in Jinja	To strengthen trade logistics and reduce transport costs, the Bank provided project preparation support for the development of an 80-container cargo vessel on Lake Victoria, along with a dedicated cargo handling facility in Jinja. As a landlocked country, Uganda relies on its neighbors for access to seaports-currently channeling over 90% of its imports through the Port of Mombasa and depending heavily on road transport, which is both expensive and slow. In alignment with national efforts to diversify trade routes and operationalise the Port of Dar es Salaam as a strategic alternative, this intervention will unlock the potential of water transport via Mwanza, creating a more efficient and cost-effective corridor for cargo movement.

Project / Intervention	Description
Three Small Hydropower projects of 13.6MW, 13.8MW, and 4.2MW.	Uganda's current electricity generation capacity stands at approximately. 1,600MW, with a further 400MW added to the grid at the end of 2024. While this capacity is sufficient for current demand, it is considerably below the energy requirements for the country's industrial aspirations. Project preparation support is being provided for the three hydropower projects, following which the Bank will consider providing the required debt financing to actualise their implementation.
Decentralised electricity supply mini-grids.	The Bank is supporting project preparation for 13 decentralised electricity minigrids in various off-grid, high-agricultural productivity areas. While Uganda's electricity access stands at 57.2% in urban areas, rural access remains critically low at 10%. Although grid extension remains a key solution, mini-grids offer a more viable alternative for remote, underserved communities. These 13 minigrids are expected to provide clean, reliable power to over 3,000 households, and catalyze agro-processing and value addition-thereby unlocking the agro-economic potential withing the areas where these projects are located.
Accelerating the transition to clean transportation	The Bank is supporting the pilot development of electric two-wheeler battery charging and swapping stations, in partnership with TotalEnergies Uganda Limited. This initiative complements ongoing government efforts to promote the adoption, local manufacture, and importation of electric motorcycles as part of Uganda's broader e-mobility strategy. Upon successful completion of the pilot, the project will scale up to include over 200 battery swapping and charging stations nationwide-laying the foundation for a robust electric mobility ecosystem and related reductions in the transport sector's carbon footprint.
Expanding last-mile electricity access	The Bank, in partnership with the Ministry of Energy and Mineral Development, is implementing the Hybrid Electricity Connections Program. This initiative addresses the prohibitive upfront cost of electricity connectivity - estimated at approximately USD200 - which remains out of reach for many low-income households. To ease this burden, the Bank provides patient credit with repayment periods of up to 8 years, enabling households and small businesses to pay gradually through deductions made whenever they purchase electricity tokens. Over the next five years, the program aims to connect 550,000 households and enterprises, catalyzing inclusive electrification, stimulating local economies, and advancing Uganda's universal energy access goals.
Ugandan contractors funding initiative	The Bank is implementing the Ugandan Contractors Funding Initiative to address the chronic financing and capacity gaps faced by domestic contractors. Often sidelined in major infrastructure projects due to limited access to affordable and patient capital, Ugandan contractors struggle to scale and deliver competitively. Through this initiative, the Bank provides concessionary working capital, asset and equipment financing, bid bonds, and guarantees all at terms significantly below market rates. In addition, contractors receive Project Management training to enhance their technical and operational capacity. This integrated approach is designed to boost local content, create jobs, and deepen the participation of Ugandan firms in national development projects.

Table 17: Projects / Interventions in the Manufacturing Space

Project / Intervention	Description
Manufacture of electric two-wheelers	The Bank is supporting the local manufacture of electric two-wheelers to reduce import dependence and promote sustainable transportation. Two-wheelers remain a dominant mode of transport for both goods and services across Uganda-yet nearly all are currently imported. To shift this paradigm, the Bank provided Project Preparation funding to support the structuring and planning of a local manufacturing facility. Building on this foundation, a USD3 million investment was subsequently approved to establish the plant, marking a major milestone in Uganda's transition to homegrown electric mobility solutions. The locally manufactured motorcycles will feature modern lithiumion intelligent battery systems and a gear-driven electric drive-train, offering enhanced energy efficiency, durability, and low operational costs-further supporting Uganda's position as a leader in clean transport innovation.
Unlocking SME growth through shared industrial infrastructure	The Bank is supporting the development of a Shared Manufacturing and Processing Facility designed to provide small and medium enterprises (SMEs) with access to modern production and warehousing equipment. The Bank has been involved from the project's inception providing support through the feasibility study phase and is assessing an equity investment to bring the project to fruition. This innovative toll manufacturing model will enable SMEs to utilise high-quality equipment and storage facilities that would otherwise be financially out of reach. By lowering the barriers to production, the facility will empower SMEs to scale output, improve product quality, increase earnings, and eventually grow into fully independent enterprises. This intervention is a catalytic step toward industrializing the SME sector and enhancing their contribution to inclusive economic development.

Table 18: Interventions in the Human Capital Development / Services' sector

Project / Intervention	Description
Student accommodation facilities	The Bank is supporting Project Preparation activities to structure a PPP model that will enable Busitema University to develop much-needed student accommodation facilities. While many public universities in Uganda possess substantial land holdings, they often lack the financial resources to convert these assets into critical infrastructure. This initiative aims to unlock the value of underutilized institutional land by attracting private investment to meet the growing demand for student housing. Once successfully piloted at Busitema University, this framework will serve as a replicable model for other universities and tertiary institutions across the country supporting infrastructure development, improving the student experience, and quality of services provided by supported higher education institutions.
Enhancing access to quality cancer care	The Bank is supporting the development of a private wing at the Uganda Cancer Institute, aimed at expanding capacity and de-congesting existing public cancer wards at Mulago. This intervention will enable the Institute to better manage the growing number of cancer patients thereby improving the quality of care, reducing patient wait times, and supporting more personalized treatment options, marking a significant step toward strengthening Uganda's cancer care infrastructure.
Bridging the skills gap in Uganda's hospitality sector	The Bank is supporting the development of a teaching hotel at Busitema University, designed to provide practical, hands-on training for future professionals in the tourism and hospitality industry. Adopting an applied learning model, the facility will seamlessly integrate classroom instruction with real-world experience in a live hotel environment. This dual approach will not only enhance the quality of hospitality training in Uganda but also strengthen the country's human capital base in a sector critical to economic diversification and job creation.

Financing mechanisms for small holder farmers

Smallholder farmers are usually faced with constraints in meeting conventional borrowing requirements, including financials and collateral, alongside other documentation required to make a lending decision. At Uganda Development Bank Limited, we are cognizant of this, and as such, we have developed unique mechanisms to provide credit/ loans to farmers to enable them to carry out their farming business.

Farmer Group/ Association/ Cooperative model financing

Smallholder farmers with challenges in availing bank-standard requirements, such as collateral, farm records, audited accounts, and bank statements, are financed using the Farmer Group/ Farmer Cooperative Model. In this model, several smallholder farmers who are part of a group or cooperative can aggregate their loan requests into one loan that is made, disbursed, and monitored at the farmer cooperative level. The requirements for this category of farmers have been tweaked and simplified to accommodate the unique farmer requests:

- i. Minimum collateral cover of 60% for loan requirements of up to UGX 1 billion.
- ii. Acceptance of third-party registered security from any group member willing to pledge personal collateral in favour of the farmer cooperative/ association.
- Consideration of unregistered land "Kibanja" or Land Sales agreement as collateral.
- iv. Flexible loan collateral requirements, such as chattels comprised of farm assets, machinery, and equipment, are acceptable under the Bank's credit policy.
- Flexible repayment options and availability of grace periods

Through the Farmer Cooperative Financing model, the Bank has supported more than 110 farmer groups comprising more than 150,000 individual smallholder farmers.

Value chain financing

For some value chains such as tea, sugarcane, pulses, grain, cotton, oilseeds, dairy, beef, etc., most smallholder farmers are linked to a large processor that offers the farmers an off-take of their produce. Where such arrangements exist, the Bank works with the processor to Mobilise its smallholders/ out-growers for financing, with the off-taker offering guaranteed off-take of the produce from the farmers. The model operates as follows:

 Financing is initiated by the large anchor processor or off-taker who furnishes the Bank with the list of farmers, cooperatives and/ or SMEs they work with.

- ii. The Bank appraiser will appraise and assess the anchor off-taker as the primary customer and verify the production capacities and capabilities of smallholder farmers, cooperatives, and agri-SMEs.
- iii. The Bank may then sign a tripartite agreement with the anchor offtaker and farmers or agri-SMEs detailing how the financing will be availed through the anchor processor or directly to the producer organisations.
- iv. Loan repayment/ recovery is primarily through the anchor off-taker, which has guaranteed the off-take of the produce to the producer organisations.

The Bank has been able to support more than 500,000 smallholder farmers using the value chain approach, which is spread across several value chains, including coffee, grain, pulses, poultry, dairy, and beef.

Complementing Finance with technical assistance

The Bank applies an integrated financing approach, where financing is accompanied by in-kind technical assistance. If the borrowers already have access to suitable technical assistance, the Bank will provide only the financing, but where technical assistance is lacking or inadequate, the Bank will offer the financing alongside technical assistance.

This approach aims to extend suitable financing while notably de-risking the borrowers' agricultural enterprises and improving their productivity. The Bank already has an in-house business advisory unit intended to support farmers, farmer groups, and associations with the required business development services and other technical assistance to improve the productivity of the targeted beneficiaries. Where the Bank cannot provide technical assistance directly, the Bank sources expertise from external service providers.

The Bank has several partners that it works with to support smallholder farmers with technical assistance either prior to or alongside the financing availed. In this way, the Bank has been able to support more than 100 smallholder farmers.

Financial Inclusion for Rural Uganda

UDB started the Agri-Connect initiative in 2022 in partnership with Ensibuuko, a local fintech provider, the United Nations Capital Development Fund, and the Food and Agriculture Organisation of the United Nations. The digital platform enhanced private investments in Uganda's agriculture and agribusiness sectors.

Agri-Connect fosters investments aligned with the Sustainable Development Goals that contribute to economic growth and employment generation in rural economies. It is anchored to the agenda for "Transformation towards sustainable agri-food systems with large-scale impacts on reducing inequalities and eradicating poverty and hunger through increased public and private investment and improved capacities to leverage future investments."

Through the FinTech innovation, UDB provides differentiated and customer-centric value propositions to smallholder farmers, enabling them to invest

in agricultural value chain activities, including agribusiness. The Bank leverages this to deliver lastmile financing to smallholder farmers in a potentially more efficient, low-cost and low-risk arrangement. The solution provides agricultural loans with concessional terms to smallholders organised under Village Savings and Loan Associations (VSLAs) in Northern Uganda, covering districts in West Nile, Acholi, and Lango subregions. Since the launch of Agriconnect innovation in 2022, 201 VSLAs and 1,560 farmers have been financed in Northern Uganda and West Nile. The VSLAs have an average of 30 members each, most of whom (about 74%) are women.



The digital credit initiative uses the MOBIS system as an implementation tool. MOBIS is a mobile application that was developed and pre-installed on smartphones. The implementation involves three cycles: the application and pre-disbursement cycle, the disbursement cycle, and the post-disbursement cycle. Each cycle entails key steps that should be fulfilled before implementing the subsequent ones.

The application and pre-disbursement cycle involves using credit data to determine the VSLA's credit scoring, based on a credit algorithm that computes the score using two core risk parameters (repayment and funding risks). The VSLAs with satisfactory credit performance or scoring qualify for pre-approval, and thereafter, those with positive outcomes apply for the digital credit. The disbursement cycle comes after the approval and involves loan drawdown. The VSLAs draw down credit.

and funds are credited to the approved VSLA's wallet. After crediting the VSLA wallet, the VSLA transfers funds from the wallet to the VSLA members' mobile money wallets, which allow the members to withdraw cash and invest in farming. The last cycle is post-disbursement, and it involves loan repayment processes, where the VSLAs make payments through MOBIS, as per the loan schedule.





△ Launch of the Agri-Connect initiative in Yumbe District, presided over by Hon. Evelyn Anite (State Minister for Privitisation and Investment)



Opportunities created through the FinTech initiative

There is a high potential for mobilising a critical mass of VSLAs and smallholders. The MOBIS system is cost-free to operate, which incentivises VSLAs and farmers to participate. This offers an opportunity to Mobilise a critical mass of VSLAs and smallholder farmers for the uptake of digital financing.

VSLAs as agents of socio-economic transformation.

The resource mobilisation capacity of VSLAs organised under the digital platform is an opportunity to harness and accelerate socio-economic transformation in smallholder farming communities. This is an avenue through which smallholder farmers can increasingly Mobilise resources for investments and local economic development, as evident in their resource mobilisation potential (savings and disbursement potential). Additionally, smallholder farmers can be organised for mass production and supply of agro-based raw

materials as well as supporting food security efforts. The savings and disbursement potential from about 100-110 VSLAs organised under the platform are over one billion shillings (each), per annum.

Opportunity to expand VSLA revenue stream. With the digital loan, the VSLAs implement a margin to gain some profit and meet their cost of operation, as well as generate additional revenue during the VSLA cycle. The FinTech solution therefore provides opportunity for VSLAs to expand their revenue stream. Bridging gender gap in financial inclusion. The level of commitment by VSLA members towards weekly savings activity is high, and female members are the main drivers of both savings and disbursements. This demonstrates the role of VSLAs Mobilised under the Fintech as intermediaries through which more women can be reached to access credit, hence creating an important opportunity for reducing gender gaps in digital financial inclusion.

SELECT SIGNATURE INVESTMENTS

BODAWERK INTERNATIONAL LTD (T/A GOGO ELECTRIC)

Project Brie

Bodawerk International Ltd (T/A Gogo Electric) is a company engaged in manufacturing, leasing and sale of electric batteries for motorcycles in East Africa. It is one of only two Lithium-Ion battery manufacturers in East Africa. It also sells electric motorcycles in conjunction with key partners and converts Internal Combustion Engines (ICE) of motorcycles and 3 wheelers (tuk tuks) to electric powered.

The factory is located in Ntinda – Kigowa, Kampala District.

UDB intervened from the pre-investment stage, financing project design, models and product testing through its Project Preparation Unit. Upon attaining bankability, UDB invested Equity to finance acquisition of parts, inputs and inventory for batteries and motorcycles, and to expand the workforce in key positions.

Impact

The company plays a critical role in environmental conservation, contributing towards reduction in harmful carbon emissions. It is also fosters innovation in manufacturing, as well as capacity building and knowledge transfer in the STI sector. It has furthermore, created both direct and indirect employment and is expected to generate UGX 90 billion over the next 5 years in incremental tax revenue as well as foreign exchange inflows from export sales. The company is at the forefront of the shift away from fossil fuels in Uganda and is expected to spur the production and expansion of battery charging and related infrastructure countrywide. It is a model for green, productive enterprise that is the future for society.





XSABO NKONGE SOLARLINE LTD

Project Brief

Through the support of the Bank, the project has Increased electricity supply capacity by 20MW thus providing 39,436,848 kWh per annum of energy for industrial and other productive uses. The project is also contributing to lowering the cost of power to industry by selling power at 7 us cents per unit instead of the 10 us cents per unit being provided by many independent power producers.

This is a Solar Power Project to be situated in Mubende district

MPOWER STEEL LTD

Proiect Brief

Mpower Steel Ltd, a manufacturing company in the steel industry. the company has established a modern steel manufacturing plant in Njeru to produce TMX steel bars, a high-strength reinforcement steel critical for the construction sector. The plant uses imported billets as the raw material thereby ensuring consistent quality and reliability in production. This project directly supports the country's infrastructure development by enhancing the availability of steel products. It additionally reduces the reliance on imported finished steel, strengthens the local supply chain, and promotes industrial growth

The factory is located in Nakisunga, Mukono district

Impact

- · Created over 166 direct jobs and additional indirect jobs along the supply chain & logistics.
- · Strengthens self-sufficiency by reducing dependence on imported finished steel.
- · Contributes to GDP and supports local industries through value addition.
- · Supplies quality steel bars for construction projects, thus boosting real estate and infrastructure development.
- · Output generated during the project tenor is estimated at UGX 2.4 billion

BRENTEC INVESTMENTS LTD

Project Brief

Brentec Investments Ltd is a veterinary pharmaceutical manufacturing company located at Namanve Industrial Park, 15 km from Kampala City. The company aspires to deliver high quality, affordable animal health solutions. It is the only local manufacturer of bird vaccines in the country. It is currently being incubated at Uganda Industrial Research Institute (UIRI) where it is engaged in production of poultry vaccines against Newcastle disease as well as research, development and piloting of new products.

The company is in the process of building its own state of the art factory at Namanve Industrial Park.

UDB invested equity to finance construction and equipping of the new factory.

Impact

The company delivers on government's aspiration for local manufacturing of critical goods and growth of a vibrant local manufacturing sector in general. It has forward links to primary agriculture, facilitating its growth through supply of vaccines. The Factory shall create direct and indirect employment along its value chain, earning tax revenue for government.



SUSTAINABLE SERVICES SECTOR



Tourism: supporting the sector players to increase stock, quality, facilities and personnel skills.



Health: supporting the establishment of infrastructure that enhances access to quality healthcare services.



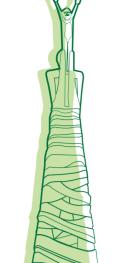
Education: supporting the establishment or refurbishment of institutions for skills development in scientific research, innovation, technology, and skills.



Science, Technology, and Innovation (STI): supporting the establishment or refurbishment of institutions for skills in new and emerging industries



Creatives: promoting the development of the creative industry, recognising its potential for economic growth and employment creation.





Improving the quality of life of Ugandans

The National Development Plan (IV) is a vehicle for accelerating Uganda's sustainability and Vision 2040. UDB supports work towards Vision 2040 by supporting investments in key priority sectors

in 2024 UDB approved UGX 455 billion for private sector development across various regions in the

EMPOWERING UGANDA'S ECONOMY:





SUSTAINABLE INDUSTRIALISATION

Portfolio by Sector 2024 [UGX billion]

Health 144.99

Education 20.33

Manufacturing 411.24 Agro-Industrialisation 384.83

Mineral Based 25.91

Infrastructure 258.03

Other **54.09**

Primary Agriculture 226.12

Tourism & Hospitality 118.36

billion



billion

UGX

Agro-Industrialisation 91.28

Creatives 12.00

Education services 5.84

Health Services 20.54

billion Tourism & Hospitality 30.33

Disbursements by Sector 2024 [UGX billion]



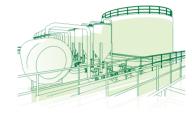
Agro-Industrialisation 124.61 Education services 3.42 Health Services 22.91 Infrastructure 40.71 Manufacturing 154.35

Primary Agriculture 25.25 Tourism & Hospitality 17.47

Approvals by Sector 2024 [UGX billion]



Infrastructure 70.95 Manufacturing 209.28 Primary Agriculture 14.98



Agro-industrialisation-value addition to agricultural produce.



Manufacturing: financing the local production of essential goods.



Knowledge-based Industries: developing appropriate financing modalities and supporting viable projects in the Pathogen economy, Electric mobility etc.

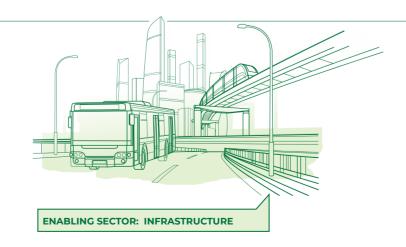


Extractive Industries: supporting industrial enterprises that focus on extraction and value addition for industrial and construction purposes.

SUSTAINABLE AGRIFOOD SYSTEM



Primary agriculture: Supporting improved on-farm production and productivity in key agriculture value chains.



Creating Meaningful Impact for Uganda

At Uganda Development Bank, our commitment to sustainability is deeply integrated into our mission to foster inclusive economic growth and development. The Bank proudly reaffirms its dedication to environmental stewardship, socio and economic development, all pivotal to our goal of creating a lasting impact on the life of Ugandans.



his section of the report highlights the specific outcomes generated from the Bank's interventions in the key growth sectors of the economy.

Aligned with Uganda's National Development Plan, UDB prioritises investments in private and public enterprises that demonstrate potential for significant socio-economic impact. Key focus

areas include job creation, enhanced productivity, tax revenue growth, and foreign exchange generation, among other outcomes. To quantify its contributions, the Bank conducted an impact assessment in 2024, underscoring its commitment to transparency and continuous improvement in fulfilling its mandate.

Summary of Key Development outcomes 2024

Impact on Society

Enhancing quality of life	Promoting entrepreneurship and innovation	Enabling inclusive prosperity
74% of funded clients complying with Occupational Safety and Health measures	173 SMEs funded	17,221 jobs created for women
83% of workers earning higher wages than the poverty line	UGX 82.96 billion invested in SMEs	UGX 31.82 billion approved for underserved regions
	101 businesses funded from risk capital	129 projects f unded outside the Kampala metropolitan region
55,553 Jobs created	UGX 67.05 billion risk capital provided	UGX 193.3 billion approved for projects outside the Kampala metropolitan region
& maintained	72 projects incubated	33,332 jobs created for the youth
	34 businesses benefited from UDB's business support	27,665 high-paying jobs for the youth (≥ 50% above the poverty line) created

Impact on Economy

Boosting the Real Economy	Creating a high-income, internationally competitive future proof economy	Building economic resilience
UCX 69.6 billion approved for SMEs		
16 start-up enterprises approved (debt + Equity)	SME A A	
UGX 104.4 billion allocated to start-ups	UGX 46.4 billion allocated for technological and green transformation of SMEs	1,109
UGX 6,051 billion turnover generated by businesses funded	UGX 70.6 billion approved to support local contractors	Forex Earnings [UGX Bn]
3% share in GDP generated from the total turnover of all businesses funded	UGX 28.3 billion approved for mobility/ transport projects	
UGX 316 billion tax generated by funded businesses	UGX 67.05 billion risk capital provided	

Impact on Corporate Performance

Impact on Environment

· · · · · · · · · · · · · · · · · · ·	•
UGX 1,644 billion - value of loan, advances and investments Portfolio Allocated	Climate Action Initiatives Undertaken
UGX 147 billion- Net Interest Income	UGX 103.0 billion approved for low carbon manufacturing and agro-industrialisation
49% - Cost to Income Ratio (with impairment)	UGX 63.9 billion approved for climate smart agriculture
31% - Cost to Income Ratio (without impairment)	UGX 140.1 billion approved for climate resilient infrastructure
6.25% - Loan Impairment Ratio	UGX 3.66 billion approved for eco-tourism
UGX 57 billion - Profitability	
3.26% - Return on Assets	

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Social Impact

Table 19: Breakdown of Jobs Created and maintained by Bank-Supported Enterprises:

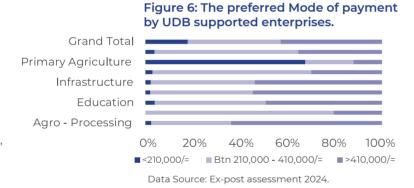
Priority Sectors	Jobs crea		Contribution by sector	Permane	ent Jobs	Tempor	ary Jobs	New jo	b created
	Male	Female		Male	Female	Male	Female	Male	Female
Agro - Processing	16,817	6,066	41%	4,788	1,495	12,029	4,571	6,139	1,588
Primary Agriculture	9,483	3,424	23%	2,690	1,282	6,780	2,176	1,535	513
Manufacturing	6,106	2,475	15%	3,343	1,361	2,763	1,114	892	359
Tourism & Hospitality	1,998	3,444	10%	1,402	2,207	596	1,237	247	220
Infrastructure	2,091	694	5%	800	292	1,291	402	474	158
Health	1,146	933	4%	710	663	436	270	90	137
Education	506	274	1%	256	155	250	119	59	55
Creative Industry	60	29	0.2%	15	12	45	17	1	15
Grand Total	38,207	17,339	100%	14,004	7,467	24,190	9,906	9,437	3,045

Data source: Ex-post assessment 2024

Further analysis indicates that 64.4% of funded enterprises created new jobs, with each enterprise generating an average of 29.6 new jobs in 2024. The Agro-processing, Infrastructure, Manufacturing, Health, Creative, and Primary Agriculture sectors recorded average job creation per enterprise-76, 47, 24, 16, 16, and 15 jobs respectively, suggesting a more substantial employment generation potential.

Employee Earnings and Benefits

Approximately 80% of employees in UDB-funded enterprises earned above UGX 210,000 per month. Specifically, 40% of total employees earned between UGX 210,000 - UGX 420,000, while 43% earned more than UGX 420,000. Most of these were employed in the Agro-processing, Health, Infrastructure, and Education sectors.



MARKAN SAME AND SAME

△ Employees display products at Kabana Pharmaceuticals one of the UDB funded projects

Social Protection

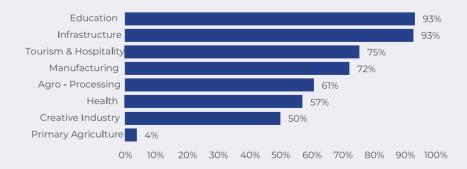
The Bank has remained steadfast in advocating for social protection and safe working environments within its supported enterprises, underscoring its pivotal role in improving quality of life, fostering economic stability, and promoting social inclusion for sustainable development. According to the 2024 expost assessment, 50% of the projects complied with social protection requirements, explicitly referring to remittances to NSSF in line with the Bank's definition.

Higher levels of compliance were reported in the Education, Infrastructure, Tourism, Manufacturing, and Agro-processing sectors.

The high levels of compliance observed in the Education, Infrastructure, Tourism, Manufacturing, and Agro-processing sectors may be attributed to higher levels of business formalisation, increased awareness, and enhanced oversight from relevant stakeholders compared to other industries.



Figure 7: Levels of Compliance to Social Protection and Other staff benefits in UDB enterprises.



Data Source: Ex-post assessment 2024.

Other Employment Benefits

Among the other benefits offered by the funded enterprises are: 92% of the assessed enterprises offered feeding to their employees, 64% offered leave days to their employees, 44% provided medical cover, and 55% offered accommodation. Other benefits included transport, education, social support, work permits, airtime and data, staff allowance, and advances.

Enterprises do offer employee benefits to attract and retain skilled workers, improving productivity and building a more resilient and competitive business environment. From the 2024 expost assessment, the following was established regarding other employee benefits.

Leave Days

Feeding

Accommodation

Medical Cover







64% of enterprises provided paid employee leave, with 73% for MS and 46%

for SP

92% enterprises provided meals for employees and above 90% across both segments.

55% enterprises offered employee accommodation. 44%

enterprise offered medical cover for their employees.

Other Benefits

12% of other benefits provided included Transport, airtime & Data bundle, capacity development, education and social support, work permit etc.

Social Inclusion

Prioritising social inclusion in the Bank's development agenda is fundamental to fostering a resilient, inclusive, and sustainable society in which no one is left behind. From the ex-post assessment, as summarised in Figure 8, 59.9% of the jobs created and maintained were filled by youth, 31.3% by women, and 0.4% by persons with disabilities (PWDs). Additionally, 51% of the shareholders in the financed enterprises were

youth, 41% were women. Up to 222 jobs were filled by persons with disabilities (PWDs). Furthermore, women had a 42% representation on the board, youth 20%, and PWDs at 1.3%. Moreover, women had a significant 38% representation on senior management teams. Most importantly, 29% of the enterprises were womenowned, given that women hold more than 50% of shares.



The high levels of compliance observed in priority sectors are partly attributed to higher levels of business formalisation, increased awareness, and enhanced oversight from relevant stakeholders

Figure 8: Distribution of different diversities under social inclusion

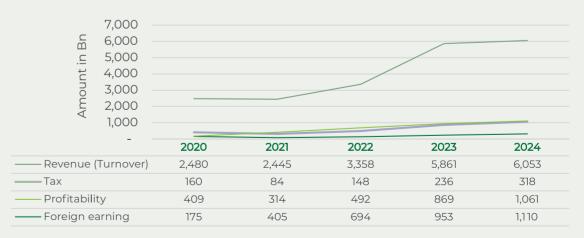
	Women Inclusion	Youth Inclusion	PWDs Inclusion
	41.1% of the Shareholders are women.	51.7% of the shareholders are youth.	0.8% of the Shareholders are people with disabilities.
	42.1% Representation of women on the Board.	20.2% Representation of Youth on the Board.	1.3% Representation of People With Disabilities on the Board.
	38.6% Representation of Women on the senior management team in UDB-supported enterprises.	38.3% Representation of Youth on the senior management team in UDB-supported enterprises.	0.7% Representation of People With Disabilities on the senior management team in the UDB-supported enterprises.
JOB	31.3% Share of the jobs created and maintained filled by women.	59.9% of Youth share of the jobs created and maintained are filled by Youth.	222 Jobs created/maintained and filled by People With Disabilities.
	28.4% of assessed ent	erprises were women-owner	d.

Economic Impact

The Bank evaluates its economic contribution by assessing the performance of funded businesses using key indicators: revenue growth, tax contributions, profitability, and foreign earnings. These metrics demonstrate how the Bank's support drives business

success and contributes to broader economic development. The figure below reflects the positive contribution from supported enterprises over the last five years.

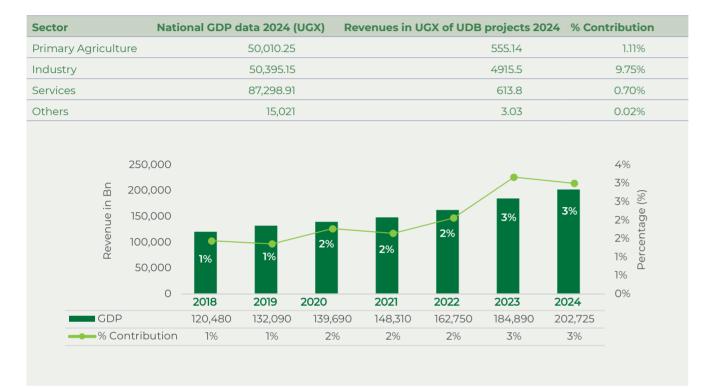
Figure 9: Contribution of UDB-funded enterprises to core development impact over time



Data source: Ex-post assessment 2024

Sectoral Contribution of UDB-supported enterprises to National GDP in 2024

UDB-supported enterprises contributed approximately 3% of Uganda's GDP. The industrial and primary agriculture sectors were major contributors to the national GDP, with 9.7% and 1.11% respectively, while the services sector had a smaller contribution of 0.7%.



Note: These projects are spread throughout the country in various regions.

Profitability of Enterprises

UDB-supported enterprises posted approximately ugx 1,061.1 Billion in profitability in 2024. Sectoral profit margins varied, with sectors like tourism & hospitality, primary agriculture, infrastructure, and manufacturing demonstrating higher profit margins than education and creatives.

Contribution to Tax Revenue

Supported enterprises contributed approximately UGX 318.07 billion in direct domestic taxes in 2024, which is estimated to be 1.8% of the total national domestic taxes for 2024.

UDB-supported enterprises contribution to Uganda's GDP. The industrial and primary agriculture sectors were major contributors to the national GDP, with 9.7% and 1.11%

Table 20: Tax revenue contributions by the Sector of UDB-supported enterprises in 2024.

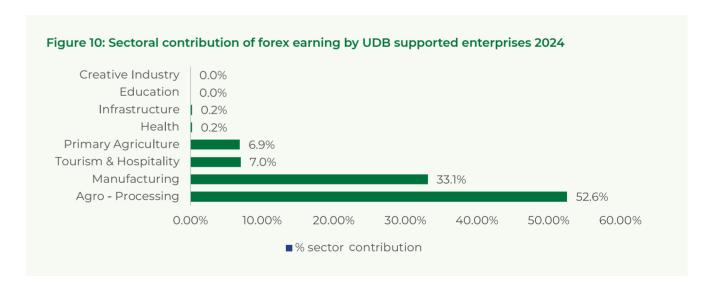
Sector	Corporation/income Tax in UGX (billion)	PAYE Tax in UGX (billion)	Total tax revenue in UGX (billion)	% Contribution
Agro – Processing	69.49	11.59	81.08	25.49%
Education	0.87	0.39	1.27	0.40%
Health	4.76	5.75	10.50	3.30%
Manufacturing	129.47	3.96	133.43	41.95%
Tourism & Hospitality	41.26	2.39	43.65	13.72%
Primary Agriculture	35.82	3.65	39.47	12.41%
Infrastructure	7.65	0.93	8.57	2.70%
Creative Industry	0.08	0.02	0.10	0.03%
Grand Total	289.40	28.67	318.07	100.0%

Positive trends in tax revenue contributions were observed over the past seven years, with fluctuations in 2021 mainly attributed to economic and business environment shocks, including the COVID-19 pandemic. Analysis of sectoral contributions to taxes showed that Manufacturing had the highest contribution at 41.9%

of the total tax revenue contribution, followed by the agro-processing sector at 25.5%, Tourism & hospitality at 13.7%, And primary agriculture at 12.4%. Infrastructure, education, and the creative industry were the least contributing sectors, accounting for 2.7%, 0.4%, And 0.03% Respectively.

Contribution to Foreign Exchange Earnings

UDB-supported enterprises realised the usd equivalent of ugx 1,109.63 Billion in forex earnings in 2024, with significant contributions from sectors like agro-processing and manufacturing, as indicated in the figure below.

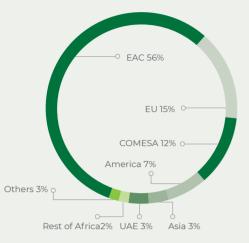


Market Access

The ability of enterprises to access and compete in domestic and international markets is crucial for economic development. While 81.8% of enterprise revenue was earned from sales on the local market,

18.2% was earned from exports. EAC was the primary export market for 56% of enterprises, followed by the European Union and COMESA for 15% and 12%.

Figure 11: Export markets for UDB-supported projects



Diversification of export markets, particularly targeting countries within COMESA, the European Union, and the United Arab Emirates, presents opportunities for growth and reduced reliance on a single market.

Sector-specific analysis



Main Activities Funded

The funding allocation in primary agriculture goes to different initiatives to enhance productivity, resilience, and market access. Notably, 90% of enterprises in crop production acknowledged investing the funding from the Bank in the acquisition of agri-equipment, 44% invested in acquiring improved crop seeds and seedlings, 26% invested in opening new lands for crop growing, while 18% invested in water management infrastructure, such as dams, wells, and irrigation infrastructure. Additionally, 13% of livestock enterprises reported directing resources towards feeds and pasture management, 20% prioritised water for production, and 14% focused on asset financing for agricultural tools and mechanisation. This demonstrates a commitment to modernising the sector and reducing post-harvest losses.

Major Livestock and Crops Grown

The Bank supports enterprises engaged in various crops, including staple food crops like maize, sorghum, cassava, and beans, alongside high-value cash crops such as coffee, tea, cocoa, macadamia, and aloe vera. The Bank's support to livestock farming focused on cattle, goats, fish, poultry, and apiary farming.

Production, Productivity, and Post-Harvest Losses

Productivity improvements were observed in sugarcane, avocado, coffee, and soybean, among others. Post-harvest losses in 2024 were recorded at 10.9% in grains and 2.1% in milk.

Adopted Methods of Farming

Mechanisation had the highest adoption rates at 60%, followed by mixed farming and mulching at 35% each, and 29% of crop farming enterprises used organic fertilisers. Under livestock, the majority (44%) of cattle farmers practised zero grazing, while 28% practised semi-intensive cattle rearing methods. Further analysis indicated that 67% and 24% of poultry farmers practised deep litter and cage farming systems, respectively. Apiary-specialised enterprises were noted to implement both intensive and traditional beekeeping methods, while all enterprises engaged in aquaculture adopted fish cages and ponds.



Major Activities Funded

The Bank allocates funds primarily for industrial equipment purchases, as indicated by 54% of enterprises, working capital at 69%, and construction and civil works at 22%.

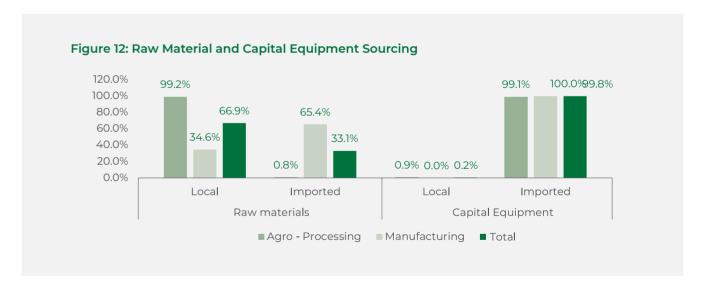
Raw Material and Capital Equipment Sourcing

Over 66% of enterprises sourced their raw materials locally, mainly driven by the agro-processing enterprises, which primarily rely on primary agricultural raw materials. In addition, all the SMEs relied on locally sourced inputs. The locally sourced input materials were from almost all the country's regions, mainly for agro-processing, depending on the products dealt with. The capital equipment sourcing for this sector relies heavily on foreign markets, at 99.8%, indicating limited domestic capacity for producing capital equipment.

Capacity Utilisation in the Industrial Sector

Despite various challenges, the industry sector remains the dominant contributor to total revenues, accounting for 81% of earnings reported by bank-funded enterprises in 2024. The assessed enterprises collectively demonstrated a production capacity of 55,848 tons per day across 156 entities, translating to an average daily capacity of 358 tons per enterprise per day. However, sector-wide capacity utilisation stood at 67.60%, signalling room for operational optimisation.

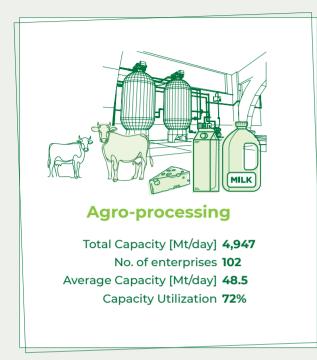
The Bank supports the industry sector to catalyse industrialisation, transform the economy, and enhance competitiveness. Out of 434 projects assessed, 156 were in the industry sector, with 65% being agro-processing enterprises. These projects aim to increase the value of agricultural produce and reduce post-harvest wastage.





The industry sector remains the dominant contributor to total revenues, accounting for 81% of earnings reported by bank-funded enterprises in 2024.

Installed capacity and capacity utilisation of the the funded manufacturing enterprises



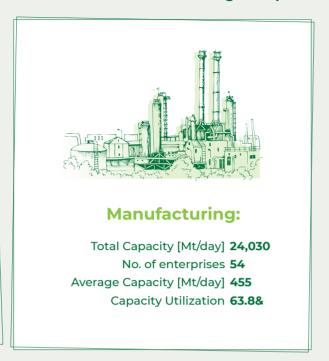
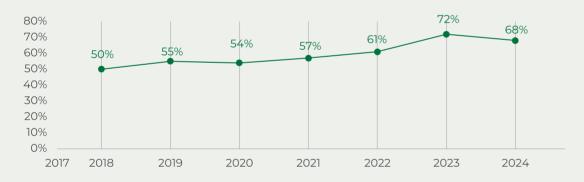


Figure 13: Trend of average capacity utilization 2017-2024 for UDB-funded enterprises



Reasons for Capacity Underutilization:

A majority (60%) of these enterprises faced challenges accessing sufficient essential raw materials required for full production. Meanwhile, 19% attributed underutilisation to inadequate utility supplies (water and electricity), 7% pointed out frequent machinery breakdowns and limited market demand for their products as key constraints, and 5% reported stopping production whenever their storage space was used up.



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Human Capital Development

Education

The Bank supports business investments, technical and vocational institutions, and primary and secondary education in hard-to-reach areas of the country. This funding is intended to improve the skills required for the labour market, with particular emphasis on vocational training. The Bank finances the acquisition of educational equipment and the development of education infrastructure such as classrooms, libraries, laboratories, and medical and nursing training institutes (construction and expansion).

Activities Funded under Education

The findings reveal that all enterprises received working capital, primarily for constructing learning spaces (82 enterprises). A smaller proportion (24%) funded acquiring assets for skilling and training learners. These investments established 84 learning spaces and 8 student accommodation units, which could accommodate 4,536 and 1,160 students, respectively. The priorities highlighted above underscore a focus on expanding infrastructure to meet rising student enrolment and procuring essential teaching tools to equip learners with specialised, job-relevant skills demanded by the labour market.

Figure 14: Funded activities under education



Data source: Ex-post Primary data 2024



Education Enrollment

The Bank prioritises skills training to address the country's skilling gaps among the youth. As summarised in the table below, the number of learners enrolled at the university (16,110) was the highest among all funded institutions. The 8 BITVET or skills training institutions enrolled 2,702 trainees (2,210 in secondary and 1,051 in primary learning institutions). A significant (46%)%age of the enrolled learners were female, while 0.6% were those with disabilities.

Table 21: Enrollment in different levels of learning 2024.

Learning Level	Enrolment	t	Completion rates		
	Male	Female	Total	PWDs	
University	8,712	7398	16,110	108	82%
BTVET	1149	1553	2702	30	72%
Secondary	1130	1080	2210	9	82%
ECD & Primary	509	542	1051	6	95%
Total	11,500	10,573	22,973	153	83%

Health

The Bank complements government efforts in the health sector by supporting private sector investments in hospital and health facility construction and expansion, and acquiring medical equipment. As illustrated in the table below, the Bank prioritises private sector healthcare investments, with 71% of funding allocated to medical equipment procurement, 57% to hospital construction and expansion, and 14% to working capital. This allocation underscores a deliberate focus on fortifying physical infrastructure and enhancing service capacity, directly addressing the country's urgent demand for equitable and, high-quality healthcare. Such investments reflect a commitment to closing critical resource gaps and lay the groundwork for sustainable health systems capable of meeting current and future demographic and epidemiological challenges.

Figure 15: Funded initiatives in the health sector





Trend of Key Health Indicators

The funded health facilities had 388 hospital beds and 61 ICU beds, reflecting the capacity of the supported health facilities to provide essential medical care, including critical care services. The availability of adequate infrastructure and equipment is crucial for delivering timely and effective healthcare services to patients.

Table 22: Performance of key health indicators in 2024

Key indicators	2020	2021	2022	2023	2024
Number of beds	140	197	264	388	580
Total number of ICU beds	-	-	-	61	106
Number of medical workers	263	284	466	593	2,022
Cumulative number of patients served	102,281	139,263	186,120	248,305	354,775
Number of foreign referrals handled	-	-	-	686	404

A total of 354,775 patients were served in the year 2024 by the assessed health facilities, highlighting the significant role played by the supported health enterprises in catering to the population's healthcare needs. Additionally, the provision of healthcare services to 404 foreign referrals underscores the importance of these facilities in serving local and regional healthcare needs, an indication of potential medical tourism in the country. The growth of the health sector is measured based on the trend and growth of indicators such as the number of hospital beds, medical workers, and patients served over the years, as summarised in Table 5. This upward trend across most indicators has driven increased Bank investment in this sub-sector over time.

Tourism Development

91% of funded enterprises in the tourism and hospitality sector invested in construction, 2.9% in asset finance, while 58.7% acquired working capital. A total of 5,449 jobs were created and maintained by funded enterprises in the tourism and hospitality industry in 2024. 3,140 hotel rooms were available in 2024, up from 618 rooms reported in 2022. It was also established that the average room rate was UGX 303,079 per night.



Services Sector

Environmental Sustainability

Infrastructure Development

The Bank's infrastructure interventions have focused mainly on energy (generation, transmission, and distribution), transport infrastructure (roads and light rail systems), waterfor-production infrastructure, and ICT infrastructure. Through strategic resource allocation and partnerships with key stakeholders, these interventions aim to drive economic growth, foster social development, enhance regional integration, and advance environmental sustainability.

64% of respondent enterprises under the infrastructure sector specialised in road construction or rehabilitation, while the remainder were engaged in powerline construction or maintenance, housing and public amenities, and water distribution. These accounted for 7% of the assessed enterprises. 341 kilometres of roads were rehabilitated, repaired, or graded, with three minor bridges constructed. In addition, 30,050 households were connected to the primary power grid through the Electricity Credit Connection Scheme (ECCS-1), and 12 new telecommunications masts were installed to bolster cellular network coverage.

Climate Action

Mitigation initiatives: To combat climate change, enterprises focus on resource use efficiency, afforestation, and adopting cleaner production technologies.

Energy use efficiency: Hydropower accounted for 62% of the primary energy sources, while fossil fuels (32%), biomass (10%), biogas (3%), and solar energy (23%) were adopted as secondary power sources.

Sustainable waste management: Organic waste accounted for 33% of total waste generated by funded enterprises, general solid waste at 30%, hazardous waste at 18%, wastewater at 17%, and other waste types at 2%. Enterprises prioritise waste reduction, recovery, reuse, and recycling to promote environmental sustainability.

Waste disposal methods: Most projects have adequate waste management capacity, utilising strategies such as composting, recycling, and energy generation.

Environmental sustainability is a priority for UDB. Accordingly, the Bank undertakes several activities and supports investments to enhance business adaptation and resilience to climate change, as well as mitigation and environmental conservation. Key activities include conducting environmental impact assessments, monitoring compliance with regulations, and supporting initiatives for mitigation and adaptation to prevent adverse environmental impacts.



2024 E&S Risk Management Report

Introduction

UDB plays a critical role in promoting and delivering Uganda's sustainable development in two key ways: mobilising capital for sustainability projects and incorporating environmental and social risk management into our investment operations.



In 2024, the Bank continued to embed holistic sustainability. This approach enables mainstreaming of *institutional*, *social*, *economic*, and *environmental* considerations into the bank's and its clients' day-to-day operations.

This provides a consistent approach to proactive identification and management of physical, non-physical, transition, environmental, and social risks to the bank's investments through its funded customers' activities.

ESG Principles and frameworks

The Bank's overarching environmental and social management system (ESMS) comprises various risk management policies, procedures, processes, and tools to guide all stakeholders in the implementation of E&S risk management. It provides for governance, identification, measurement, management, and reporting of E&S risks associated with the Bank's financing and investment activities. The Bank's E&S risk policy supports the standard, which details how the framework should be implemented. UDB's

The Bank's overarching environmental and social management system comprises various risk management policies and tools



environmental and social risk team is responsible for reviewing, updating, and ensuring the effective implementation of the standard, procedures, and policy

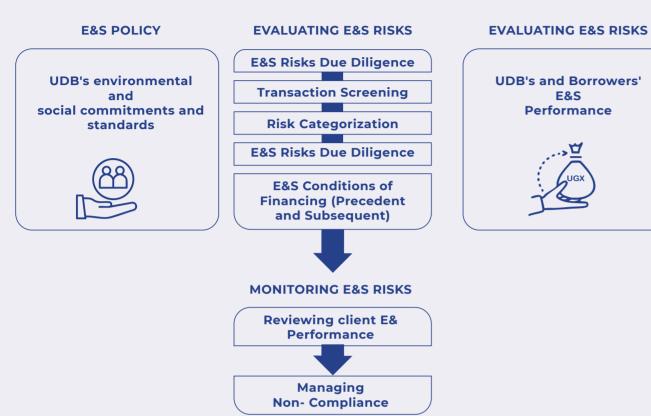
Sustainability Risk Screening

Sustainability risk assessments are fully embedded in the credit life cycle of all transactions the Bank finances. They enable the Bank and customers to understand the magnitude of exposure to sustainability risks (i.e., physical, nonphysical, transition, environmental, and social risk) using precise and quantitative risk measurement tools. The outcome of the assessment feeds into the overall credit structure and covenants compliance universe over the facility's lifetime. By embedding sustainability risk assessment processes into lending practices early, the Bank ensures Environmental and Social accountability in decisionmaking and monitoring.

- Pre-credit committees ensure E&S risks are appropriately screened at the application phase.
- ii. Screening determines whether to proceed with a transaction, whether further assessment is required, and the level of the assessment.
- iii. We use three levels of categorisation based on the nature of the project, the magnitude of project activities, existing E&S management systems (the client's ability to manage E&S risk and historical track record), project sector, and location, among other factors. Risks are rated A, B, or C.
- iv. The E&S risk team evaluates all project-related transactions and category A and B risk transactions and works with business and credit teams to assess and mitigate risks.
- v. The Bank encourages its customers to apply precautionary principles to their operations and activities where applicable.



Sustainability risk assessments are fully embedded in the credit life cycle of all transactions the Bank finances



Potential consequences to the Bank of unmanaged Sustainability risks

Failure by UDB to manage sustainability risks from its lending and investing activities has several implications to the Bank's operations as highlighted below.

Credit Risk	Poor E&S practices by clients can increase the risk of default, affecting financial institution's credit portfolio.
Financial Impacts	Failure to manage E&S risks can result in direct financial losses arising from environmental liabilities, legal penalties, remediation costs, reduced asset value due to contamination.
Reputational Damage	Negative publicity from ES incidents can damage UDI's reputation, leading to loss of clients and investors.
Legal Risks	Legal liability for damage to the environment, human health or property (e.g. compensation claims). Legal obligations to restore land contaminated due to client operations (e.g. collateral).
Operational Disruptions	E&S controversies can lead to project delays, operational stoppages, and increased costs.

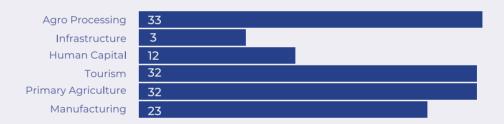
Managing Client Compliance

The Bank undertakes routine monitoring for all projects financed by the Bank to ensure clients meet their E&S commitments. The frequency and type of monitoring are determined according to the type of transaction (nature of the project) and the level of risk (risk category). High-risk transactions categorised as category A and category B (where appropriate) under the ESMS, are monitored on a quarterly basis. In cases where clients are not compliant with E&S requirements, the Bank collaborates with them to achieve the necessary standards. If there is no progress towards

meeting requirements within agreed timeframes, remedies may include additional monitoring and revised, and/or more stringent action plans; specialist/independent intervention; or re-evaluation of the loan. We are committed to taking appropriate steps where we discover, or are made aware, that actual or perceived human rights abuses or environmental damage have occurred. This may include disciplinary action, exiting a particular business relationship, or constructive engagement with others to promote better practice.

In 2024, 135 transactions from the different sectors funded by the Bank were monitored, as indicated in the figure below.

Figure 16: Monitored Projects 2024 (by sector)



In line with the Bank's credit process, all transactions must be screened against the four environmental and social risk categories i.e., A,B, C or FI before onboarding for financing.

A Projects with potentially negative significant and adverse environmental and social impacts, requiring a detailed participatory assessment process.

Projects with environmental and social impacts that are site-specific, and which can be readily assessed and managed.

Those that are expected to result in minimal adverse environmental and social impacts.

Transactions that involve the provision of financing to a financial intermediary – typically a bank or a fund which, are required to adopt and implement procedures to manage their environmental and social risks.

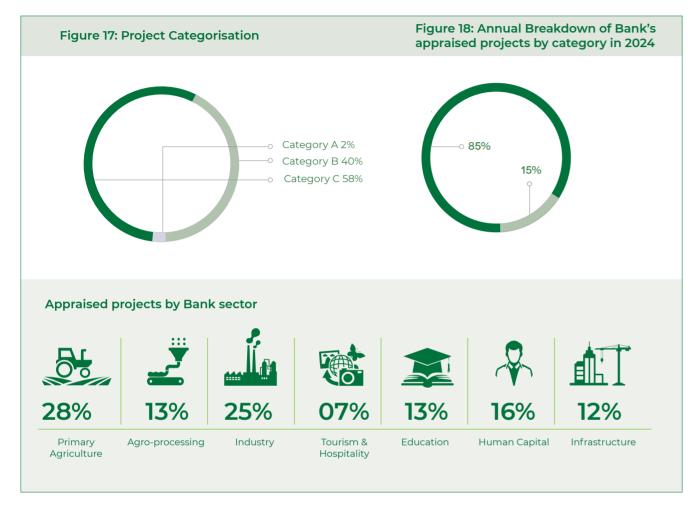
FI

These categories denote the magnitude (sensitivity, nature, and extent) of potential sustainability risks/impacts associated with the implementation of financed projects, and to determine the level of the assessment required.

In 2024, 144 transaction requests (62 Mainstream and 82 Special Programmes) were assessed against sustainability risks. The majority (85%) of the appraised transactions were brownfield (existing) projects, and the rest (15%) were start-ups (greenfield projects). In terms of E&S risk categorisation, 2% of the appraised projects fell under category A (high risk), 40% under category

B (medium risk), and 58% under category C (low risk). For all transactions categorised as A, a detailed risk assessment is undertaken to evaluate the potential and actual environmental and social risks associated with the transaction implementation activities, appropriate mitigation measures recommended, and mitigation action plan prescribed alongside loan covenant

conditions (precedent and subsequent) and NEMA Environment and Social Impact Assessment conditions of Approval to ensure positive/Net Zero environmental and social impacts. Similarly, Category B&C transactions were subjected to an appropriate level of E&S risks evaluation, potential risks and impacts analysed, and appropriate mitigation measures recommended.



Internal Environmental and Social Risk Training and Awareness

Internal E&S Risk awareness and training is conducted for staff members, focusing on general E&S risks awareness, UDB's E&S Risks management systems and processes, and relevant environmental guidelines, standards, and requirements. Training includes physical and online sessions and the use of the Bank's inhouse training platforms. In 2024, tailored training in Sustainability and ESG was undertaken for all staff, E&S Risks Management for the Special Programmes Team, and new staff.



Bank's 2024 Internal Carbon Footprint

As a sustainability-certified Bank, UDB is mindful of its contribution to GHG emissions through lending and investment operations. To account for the carbon footprint, from Bank operations for 2024, the Greenhouse Gas Emission Assessment was undertaken using the UNFCCC GHG calculator version 02.1. This covers direct and indirect emissions from the Bank's

direct control operations (Scopes 1,2 &3). The estimation used emission factors from the Intergovernmental Panel on Climate Change (IPCC). Using the operational control approach, the Bank's carbon footprint in 2024 was categorized into three emission scopes, direct or indirect, as defined below.

Figure 19: Monthly GHG monthly emission trends



The Bank's carbon footprint for 2024 was estimated at 287.4 tCO2e. The monthly emissions trend through the year fluctuated, attributed to business trends, which trigger variations in the level of activity.

GHG Emissions Contribution by scope



Scope 1

(or 'direct') GHG emissions occur from sources owned or controlled by the Bank, such as emissions from combustion in bank-owned vehicles.



Scope 2

(or 'indirect') emissions that are released into the atmosphere and are associated with the Bank's consumption of purchased electricity. These indirect emissions are a consequence of energy use but occur at sources not owned or controlled by the Bank.



Scope 3

(or other 'indirect') GHG emissions result from activities that occur at sources not owned or controlled and are not classified as Scope 2 emissions. Examples of Scope 3 emissions are business travel by means not owned or controlled by the Bank, waste disposal, materials, or fuels the Bank purchases.

%age contribution per emissions scope

On the scope basis, scope 3 emissions contributed the most significant%age of about 60% of the emissions, followed by scope 1 with 34%, and scope 2 contributing 6%. Scope 3 emissions were mainly contributed by employee commuting (109.584 tCO2e), air travel (41.832)

Mitigation Measures

In 2024, the Bank monitored its internal footprint every month. Based on the registered major contributors of the Bank's internal carbon footprint, several measures were adopted to improve internal processes and reduce our carbon footprint. Some of the adopted and suggested measures for adoption include, among others: Electronic platforms such as DocuSign are used

Table 23: GHG emissions offset by DocuSign in 2024

Lb	Elements	Tonnes
11,480	Carbon emissions	5.2072
14,401	Water conserved	6.5321
4,890	Wood saved	2.2180
794	Waste eliminated	0.3601
	Total	14.3174

Other mitigation measures included:

- Installation of motion sensors lights that switch off the lights when not being used alongside maximising the use of natural lighting (this has been implemented in the newly occupied UDB Towers).
- Promotion of a paperless culture through adoption and use of e-platforms for meetings, communication, and other Bank day-to-day operations.
- iii. Adoption of mass staff transit vans to reduce staff commuting emissions significantly.
- iv. Adopting and using reusable water cups to replace disposable plastic cups and reduce waste generation.
- v. Installation of solar panels to facilitate internal energy mix of solar and hydropower thus reduce energy usage (implemented in the newly occupied UDB Towers).



UDB Green Financing Initiative

Introduction

Climate change and its associated risks pose direct and indirect threats to our environment's natural, social, and economic aspects, including ecosystems, livelihoods, and economic development. Sectors directly dependent on and sensitive to the climate are the most affected, such as agriculture, water resources, fisheries, ecological tourism, and health.



ganda's climate is highly variable, and the country is rated highly vulnerable with a high degree of exposure, sensitivity, and low adaptive capacity according to Uganda's updated Nationally Determined Contribution (NDC). The NDCs are nationally defined endeavours by each Paris Climate

Agreement signatory country to reduce national emissions and adapt to the impacts of climate change by 2030. Some of the significant climate-induced hazards identified in Uganda by the NDC include droughts, floods, landslides, thunderstorms, hailstorms, and lightning.

Building adaptive capacity, addressing loss and damage, and increasing resilience are key to addressing these vulnerabilities. Adaptation is Uganda's top priority response to climate change. Further still, according to Uganda's Updated NDC, through the implementation of the planned and intended mitigation policies and measures, Uganda's net emissions are expected to reduce by 24.7% below the Business as Usual (BAU) level

Implementing the adaptation and mitigation actions and targets of Uganda's updated NDC and its cross-cutting issues across all sectors up to 2030 requires USD28.1 billion, Mobilised from domestic and international sources. The estimated adaptation costs are USD 17.7 billion, while mitigation will need at least USD10.3 billion.

As such, in the face of climate change, to contribute to climate action through cross-cutting, mitigation and adaptation climate interventions, in the Banks's priority sectors, Uganda Development Bank undertakes financing of several environmental interventions which are aligned to and informed by both national

and international instruments such as the National Development Plans, Uganda Green Growth Development Strategy, Uganda's Nationally Determined Contributions and the National Climate Change Act 2021, among others. In 2023, UDB launched the Climate Finance Facility (CFF) with seed capital of UGX 50 billion to increase its green interventions for more sustainable impact. The CFF, is aimed at catalysing, unlocking, and expanding private sector investments and commercially viable public investments in local green sectors that drive green growth and impact and financial inclusion.

The CFF is a Special Purpose Vehicle with a unique and specific focus on project finance, including debt, equity, asset finance, and non-financial interventions, including project preparation and the Business Accelerator for Successful Entrepreneurship Programme. With an instituted CFF, the Bank seeks to Mobilise climate finance by structuring and providing tailored products to address market gaps, including risk mitigation products, and the right products to address private sector investment demand in the green sector and stimulate green economic growth.

The Bank's Green Interventions

171 A

Approved projects

20% were green interventions

UGX46bn approved for green interventions

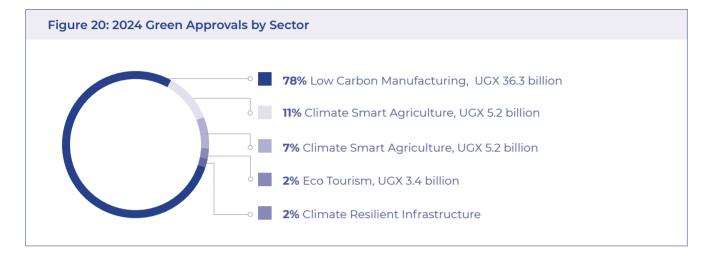


△ kikorongo safari lodge, an Eco-lodge in Kasese District.

Sectoral Focus of Green Interventions

By sector, the largest green intervention approvals went into low-carbon manufacturing, at UGX 36 billion, which was 78% of the total. The second largest was climatesmart agriculture, at 11%, followed by eco-tourism at 7%,

low-carbon agro-industrialisation and climate-resilient infrastructure at 2% each, and the health services sector with the lowest share at 0.1%.



Climate Action Responses

The climate action responses undertaken in 2024 were predominantly for mitigation at UGX 38 billion, taking up 81%, dominated by low-carbon manufacturing

at 96%. The mitigation responses were 19% of the total interventions, dominated by the climate-smart agriculture sector at 49%.

Table 24: Climate Action Responses by Sector

Sector	Mitigation	%age	Adaptation	%age	Total
Low-carbon agro-industrialisation	237,232,800	1%	389,250,000	4%	626,482,800
Health services			30,000,000	0%	30,000,000
Climate resilient infrastructure			863,996,000	10%	863,996,000
Low carbon manufacturing	36,325,931,184	96%			36,325,931,184
Climate smart agriculture	925,210,836	2%	4,250,195,829	49%	5,175,406,665
Eco tourism	193,708,400	1%	3,183,200,791	37%	3,376,909,191
Sub-totals	37,682,083,220	100%	8,716,642,620	100%	46,398,725,840
%age of Total	81%		19%		100%

The assorted climate action interventions were predominantly in the Climate Smart Agriculture sector by volume, as shown in Table 2. This correlates with 80% of the Bank's portfolio comprising projects in the primary agriculture sector. However, recycling under the low-carbon manufacturing sector was, by value, the predominant intervention, comprising 96% of the

investment in mitigation and 70% of the overall annual green funding. The climate interventions through the mitigation response were of low volume but high value. In contrast, those under adaptation to climate change were of high volume but of comparatively lower value, as shown in the table below.

Table 25: Climate Interventions by Sector and Climate Action Responses

Sector	Intervention	Mitigation	Adaptation	Amount (UGX)
Low carbon agro- industrialisation	Water Systems Development		13,200,000	13,200,000
	Fertilizer		376,050,000	376,050,000
	Energy Efficient Machinery	237,232,800		237,232,800
Health services	Water Systems Development		30,000,000	30,000,000
Climate resilient infrastructure	Water Systems Development		863,996,000	863,996,000
Low carbon manufacturing	Recycling	36,325,931,184		36,325,931,184
Climate smart agriculture	Improved Breeds		1,402,100,000	1,402,100,000
	Pasture Improvement		395,171,639	
	Solar Equipment	408,174,836		408,174,836
	Water Systems Development		260,996,000	260,996,000
	Irrigation		902,231,190	902,231,190
	Other Farm Improvements		633,475,000	633,475,000
	Afforestation	400,000,000		400,000,000
	Cattle Sheds		565,437,000	565,437,000
	Recycling	104,506,000		104,506,000
	Biogas	10,370,000		10,370,000
	Improved Seedlings		20,250,000	20,250,000
	Organic Manure		33,172,000	33,172,000
	Inorganic Fertilizer		32,800,000	32,800,000
	Mulching		4,563,000	4,563,000
	Biomass Briquettes	2,160,000		2,160,000
Eco tourism	Solar Equipment	193,708,400		193,708,400
ECO LOURISIII	Eco-lodge	3,183,200,791		3,183,200,791
Grand total		40,865,284,011	5,533,441,829	46,398,725,840



Empowering stakeholders for a united purpose

At Uganda Development Bank (UDB), we believe that inclusive and sustainable development is best achieved through strong, collaborative partnerships. Our success is intrinsically linked to the engagement and contributions of diverse stakeholders ranging from government bodies and development partners to customers, employees, and the communities we serve.



 $\triangle\;$ Participants during one of the Enterprise Development Incubation Trainings

Through open dialogue, mutual trust, and a commitment to shared value, we align our strategies and operations with Uganda's national development goals and the aspirations of its people. To this end, we engage stakeholders across local, regional, and

global levels to inform and refine our priorities.

By maintaining strong relationships with public institutions, global development agencies, the private sector, shareholders, and our internal teams, we ensure our interventions remain impactful.

These interactions are essential to shaping our direction, validating our approach, and delivering sustainable outcomes that balance both short-term progress and long-term transformation. In 2024, the Bank took a proactive, inclusive, and strategic approach to stakeholder engagement, recognising that sustainable development is a collective effort.

The Bank collaborates with a wide range of stakeholders including government agencies, development partners, entrepreneurs, customers, and local communities throughout the year to align on priorities, communicate progress, and co-create solutions that advance Uganda's socio-economic growth. From high-level engagements with the Ministry of Finance and development partners such as the OPEC Fund and European Investment Bank, to grassroots interactions with small-scale businesses and cooperatives, UDB ensures that every stakeholder has a voice in shaping the country's development narrative.

These engagements are intentionally diverse and purpose-driven, ranging from formal forums and bilateral meetings to educational workshops and celebratory events. For instance, the launch of the Development Impact Report with media partners highlighted the Bank's role in job creation and national revenue growth. UDB has also prioritised capacity building through initiatives such as the Enterprise Development Programme and local business

support activities in Masaka, which empower SMEs and entrepreneurs to become investment-ready.

Sector-focused engagements such as participation in the Uganda Manufacturers Association Financial Symposium and the East Africa Venture Capital Conference underscore UDB's commitment to targeted support for the country's growth sectors including manufacturing, tourism, and innovation-led enterprises.

On an international scale, UDB continues to position itself as a key player in develop financing globally. The Bank last year held side events at the World Bank Spring Meetings and at the Conference of Parties (COP29). Both events provided the Bank a platform for bilateral engagements, showcasing success stories, and facilitating discussions on specific topics that propelled the Bank's growth agenda.

Through bilateral discussions with development partners, the Bank has been in position to advance its global accreditation efforts and explore collaborative funding opportunities for the country's development agenda. These partnerships not only enhance UDB's capacity to Mobilise capital but also align with its strategic goal of fostering a resilient and inclusive economy. By maintaining a deliberate, transparent, and participatory stakeholder engagement model, UDB ensures that its interventions are relevant, impactful, and sustainable.

▽ Dr. Maggie Kigozi (3rd Left), Sophie Nakandi UDB Head of Legal/Company Secretary (extreme right)among other dignitaries at the UDB Women's Day event.



2024 Stakeholder Engagement



2023 UDB Annual General Meeting

Uganda Development Bank Announced the 2023 Annual Results at an Annual General Meeting held on 23rd July 2024. The report highlighted the Bank's continued impact in promoting economic growth and resilience across key sectors of the economy, reinforcing its mandate as the country's national development finance institution.



Launch of the Annual Development Impact Report 2023

The Bank on 2nd August 2024 launched the 2023 Development Impact Report highlighting the Bank's significant contribution to Uganda's socio-economic transformation and showcasing the impact of its interventions across supported projects. Key results included job creation, increased output value, foreign exchange earnings, and tax contributions, among others.



UDB Enterprise Development Programme Incubator Graduation Ceremony

On 9th August 2024, UDB graduated over 60 entrepreneurs in the first cohort of the Enterprise Development Programme (EDP) Incubator. The graduation noted a significant step in the Bank's mission to empower businesses to reach their full potential. Participating enterprises were equipped with critical financial and business development tools, enabling them to become investor-ready and better positioned to attract vital investment



Sidelines of the International Monetary Fund (IMF) and World Bank Spring Meetings in Washington DC, USA

In April 2024, UDB convened a high-level meeting with various stakeholders on the sidelines of the International Monetary Fund and World Bank Spring Meetings. The strategic engagement aimed at fostering partnerships for the empowerment of National Development Banks in Africa to address the economic, social, and environmental priorities of the continent as well as chart a course for UDB's transformative journey. UDB has increased its balance sheet ten-fold in the last decade, while retaining its profitability and aims to Mobilise further international funding to support its strategic objectives.



UDB, in partnership with American Tower Corporation (ATC) Uganda, carried out a Blood Donation Campaign aimed at enhancing the availability of safe blood across the nation. The initiative reflects the Bank's commitment to supporting national health priorities and contributing to life-saving causes through strategic partnerships and corporate social responsibility efforts.



Media outreach

The Bank engaged in several media outreaches with different media houses such, Vision Group, UBC, Next Media, Nation Media Group to mention but a few. These aimed at establishing mutually beneficial partnerships to foster economic development. During the engagements, the Bank emphasised the vital role of the media in driving economic progress through the dissemination of accurate and impactful information.



Investor Roundtable Discussion in Baku, Azerbaijan

UDB convened an Investor Roundtable Discussion focused on "Financing Climate-Responsive Investments in Developing Countries." The roundtable brought together investors and partners in green financing to explore strategies for mobilising capital toward sustainable development. UDB engaged in discussions aimed at unlocking green finance flows, strengthening investor confidence, and highlighting Uganda's investment potential in climate-responsive sectors.



Partnership with IsDB

A delegation from Uganda led by the Hon. Minister of Finance Matia Kasaija and the Managing Director of UDB, Patirica Ojangole, signed a letter of intent and expression of interest for a line of credit of \$40 million from the Islamic Corporation for the Development of the Private Sector (ICD) on the sidelines of the IsDB Group Meeting. This agreement is a significant boost to financing for the Bank.



Growth Through Service Excellence

Customer experience and service excellence remain key priorities for the Bank. UDB continuously works towards embedding customer centricity in our operations, reaffirming our commitment to stakeholders by improving accessibility, streamlining processes, and leveraging digital innovation to elevate the customer experience.

At UDB, we see our customers not just as clients but as strategic partners in development; therefore, the success of the projects we finance is essential to us. We empower our clients to achieve their development goals more efficiently and effectively through capacity-building Programmes, personalized support, and strategic partnerships. In 2024, the Bank adopted a customer-first approach, focusing on understanding the customers' evolving needs through a comprehensive Voice of Customer (VOC) mechanism across multiple interaction channels. As a result, the Bank achieved a Customer Satisfaction (CSAT) score of 76%, a Net Promoter Score (NPS) of 42%, and a Customer Effort Score (CES) of 76%. UDB remains committed to progressively improving these ratings by ensuring customers receive the support they need while interacting with the Bank. This strengthened feedback mechanism enables us to refine our service delivery by incorporating customer insights in enhancing business processes and developing tailored financial solutions that drive sustainable development.





△ In recognition of the Customer Service Week, the Bank conducted a series of client visits to various UDB-supported businesses, in October 2024 where teams appreciated clients for their exceptional work and presented them with tokens of appreciation.

The Bank will continue executing its Customer Experience and Management Strategy, emphasising relationship management, customer education, digital enhancements and recognition and reward initiatives. UDB remains committed to deepening customer relationships, optimising service channels, and fostering financial inclusion to build a more resilient and prosperous future for all.



△ A UDB staff engages with a prospective custome

Fostering a Culture of Excellence

At Uganda Development Bank Limited (UDBL), our sustained success is anchored in a dynamic operational environment that cultivates a culture of excellence across all Departments. Our cultural ethos is grounded in the pillars of Inclusive and Impactful Leadership, Excellence, Agility, People First, Purpose-Driven action, and Personal & Clear Accountability - acronymized as LEAP³



△ Some of the UDB board and staff members during the project handover of UDB Tower

hese cultural pillars, coupled with our unwavering dedication to innovation and continuous improvement, empower our leaders and employees alike to take initiative, embrace challenges, and drive transformative change aligned with our core mandate of inspiring socio-economic development in the country.

Innovation at UDBL transcends mere ideation; it is embedded in rigorous planning and execution. This approach is facilitated through the establishment of cross-functional teams tasked with spearheading specific initiatives, monitoring progress, and addressing operational challenges proactively.

A Compelling People Proposition: Enabling Excellence Through People

Central to the Bank's mission is our commitment to attracting, developing, and retaining exceptional talent through a distinctive and compelling people philosophy. We believe that people are the cornerstone of sustainable development, and we continuously invest in creating an environment where talent thrives.

A Clear Organisational Philosophy with Purpose Our mandate inspires a values-driven culture grounded in service, innovation, and impact. Our staff are aligned to a shared purpose-to build a prosperous Uganda.

Competitive Total Rewards to Recognise Excellence

UDB's total reward philosophy is designed to attract and retain top talent through a market-competitive and performance-aligned compensation framework. Our total rewards package is both holistic and equitable, recognising individual contributions, rewarding excellence, and aligning with evolving skill sets critical to national development.

A Culture Where People and Ideas Thrive We have cultivated a respectful, empowering, and inclusive workplace where every voice matters. Our culture encourages open collaboration, values diverse perspectives, and fosters a deep sense of belonging and accountability. We believe that excellence is best achieved in an environment of trust, engagement, and continuous dialogue.

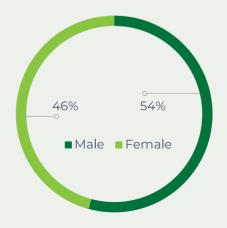
Accelerated Learning for Transformative Impact

As a development-oriented institution, we invest in building deep technical expertise across our teams. Employees are entrusted with strategic, high-impact assignments that stimulate creativity and innovation. Complementing this is a robust learning ecosystem that equips staff with the skills and insights needed to drive transformative solutions for the country.



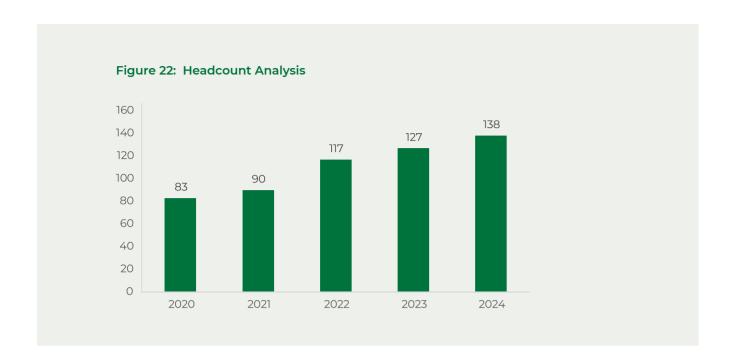
Our talent management strategy is anchored in enabling internal growth and leadership development. Through structured capabilitybuilding Programmes-ranging from technical training to leadership acceleration-employees are empowered to reach their full potential. Internal mobility is actively encouraged, with priority consideration given to qualified internal candidates for advancement opportunities. This reinforces our belief that developing from within strengthens our institutional resilience and continuity.





Head Count Analysis

In 2024, the Bank closed the year with 136 full-time staff, reflecting an 8.7% growth aligned with business needs. The gender distribution stood at 46% female and 54% male, marking a 2% year-on-year improvement, and a 54% growth over the past 4 years. The positive progress in gender distribution reflects the Bank's deliberate commitment to affirmative action and gender equality



Employee Engagement

At UDB, we take a holistic approach to employee engagement recognising that a thriving workforce is central to achieving our development mandate. To enhance the employee experience, the Bank invests in a wide range of initiatives that foster connection, collaboration, and well-being. These include team-building activities, crossfunctional assignments, wellness and employee assistance Programmes, as well as sports and social events. Together, these efforts create a supportive and energizing work environment where people feel valued, empowered, and inspired to contribute their best.



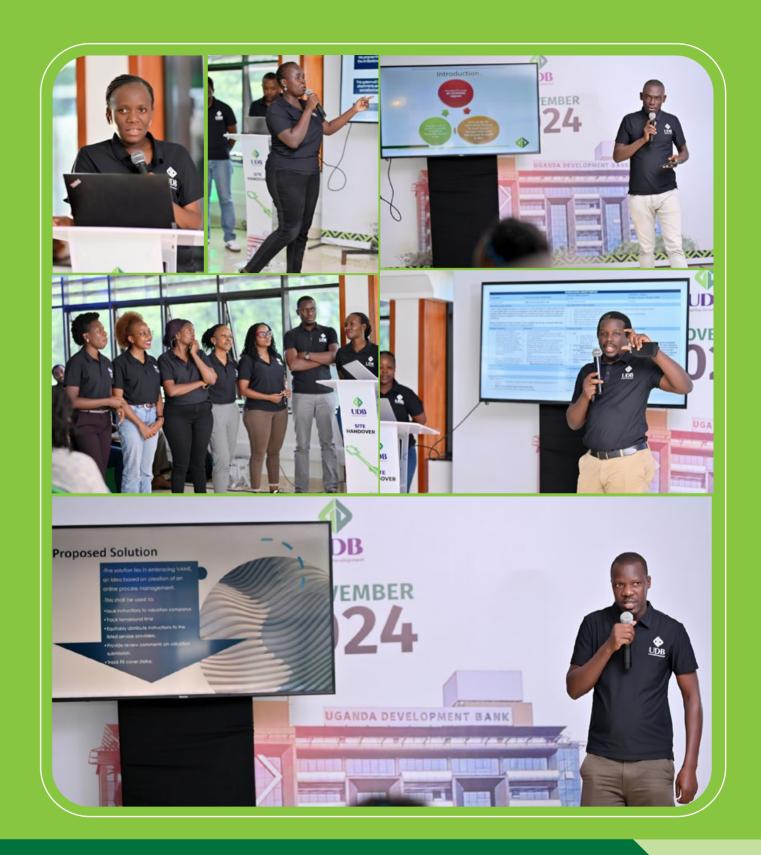


 $\triangle\;$ Employees participate in the 2024 UDB Sports Day.



we take pride in a workplace culture built on the pillars of Inclusive & Impactful:-

Leadership, Excellence, Agility, People First, Purpose-Driven, and Personal & Clear Accountability



FOSTERING A CULTURE OF INNOVATION:

UDB Staff pitch their entries for the 2024 Innovations challenge



Financial Sustainability

Financial sustainability remains a priority for the Bank to drive socio-economic development in the country. At Uganda Development Bank (UDB), we are deeply committed to ensuring the long-term financial sustainability of our operations, while fostering economic growth and development in Uganda. Our mission is to enhance the nation's socio-economic transformation by providing financial solutions that support strategic sectors essential for national development.



△ In 2024, UDB won the Regional Bank of the Year for East Africa in the same Awards. The Bank was recognised for it's outstanding contribution to the growth and development of Africa's banking sector.

W

e recognise that through responsible financial practices and unwavering commitment to our mission, we can make a lasting impact on the communities we serve and contribute to Uganda's overall prosperity. We are steadfast in pursuing financial sustainability, which we view as a

foundational element for achieving our broader social and economic objectives. We remain focused on our strategic initiatives, ensuring we have the resources necessary to support Uganda's long-term development goals.

For a detailed discussion on the Bank's financial performance, please refer to page 153.

Below is the Bank's value-added statement, which indicates the wealth that UDB creates through its activities for our key stakeholders: shareholders, employees, development partners, and suppliers. It also illustrates how much we reinvest in future growth. The value-added is calculated as the Bank's revenue

performance minus payments such as cost of services, depreciation, and amortisation. The resulting amount is distributed to the stakeholders, who include employees, shareholders, community investments, and the government.

Table 26: The total wealth created by the Bank in 2024 (billion)

UGX'000	2024	2023	%
Interest income	157,317,442	156,224,954	
Interest expense	(10,298,526)	(13,479,273)	
Wealth created from operations	147,018,916	142,745,681	
Foreign exchange gains/losses	(3,299,882)	1,161,871	
Other income	632,647	839,702	
Total wealth created	144,351,681	144,747,254	100
Distribution of wealth			
Retained for growth	57,816,620	49,804,281	40
Employees	29,363,504	27,711,095	20
Government	15,375,545	22,211,432	11
Suppliers	16,037,568	15,305,877	11
Impairment loss on financial assets	24,004,414	28,502,537	17
Depreciation and amortisation	1,754,030	1,212,032	1
Total wealth distributed	144,351,681	144,747,254	100

🔻 L-R Board Members: Bob Bonabo Munene, Joe Busulwa Kayongo, Albert Richards Otete and Rita A. Apel during the 2024 Board Meeting



Financial Performance Overview

Five-year extract from the Bank's annual financial statements.

Financial Statistics (UGX millions)	2024	2023	2022	2021	2020
Statement of Comprehensive Income					
Gross Interest on loans	157,317	156,225	123,403	112,915	72,062
Net Interest and fee Income	147,019	142,746	117,456	109,256	67,900
Net impairment loss on financial assets	(24,004)	(28,503)	(25,087)	(23,606)	(14,688)
Non-Interest Income (net)	(2,667)	2,002	11,711	(1,367)	1,583
Operating expenses	(47,155)	(44,229)	(38,913)	(26,730)	(23,131)
Profit before income tax	73,193	72,016	65,166	57,553	31,664
Profit for the year	57,817	49,804	42,565	39,772	22,109
Statement of Financial Position					
Loans and advances (Net)	1,532,449	1,470,100	1,220,891	781,658	511,882
Balances with other banks	104,512	86,457	220,401	375,375	518,736
Investment properties	0	0	31,171	32,089	34,151
Total assets	1,782,188	1,666,731	1,520,119	1,222,101	1,089,804
Capital and reserves	1,512,067	1,375,870	1,228,752	1,055,075	910,785
Total liabilities	270,121	290,861	291,366	167,026	179,019
Statement of cash flow					
Cash flow used in operating activities	17,006	(217,933)	(379,463)	(230,308)	(120,641)
Net cash generated from investing activities	(29,538)	(21,531)	196,005	54,333	(372,620)
Net cash generated from financing activities	30,838	105,601	220,674	88,129	539,695
Key financial ratios					
Yield on interest earning assets	9.90%	10.76%	10.00%	11.23%	10.38%
Net interest margin	93.45%	91.37%	95.18%	96.76%	94.22%
Cost income ratio (without impairment)	31.4%	30.6%	30.1%	24.8%	33.3%
Cost income ratio (with impairment)	49%	50.2%	49.5%	46.7%	54.4%
Return on assets	3.26%	3.13%	3.10%	3.44%	2.81%
Return on equity	3.89%	3.82%	3.73%	4.93%	3.51%
Loan impairment ratio	6.25%	6.78%	5.60%	6.60%	6.23%
Debt equity ratio	14%	17%	19%	12%	16%

The Bank achieved a notable profit of UGX 57.8 billion in 2024, marking a 16% growth from the UGX 49.8 billion realised in 2023. This growth was driven by the sustained deployment of capital towards interestearning assets, particularly loan disbursements to

development-oriented projects. The continued support from the Government of Uganda of UGX 80.7 billion coupled with contributions from the Kuwait Fund, further bolstered the Bank's capacity to catalyse socioeconomic transformation.

In line with its commitment to long-term financial sustainability, the Bank accelerated its digital transformation agenda in 2024. This initiative has significantly enhanced operational efficiency and improved service delivery. In addition, it has enabled the Bank to identify and pursue innovative financing solutions. As a result, the Bank has allocated resources

more effectively toward priority areas such as SMEs, youth and women-led enterprises, and high-impact industrial and infrastructure projects. This strategic direction reinforces internal operations and fortifies the Bank's financial position, ensuring sustained growth and resilience in an evolving economic environment.

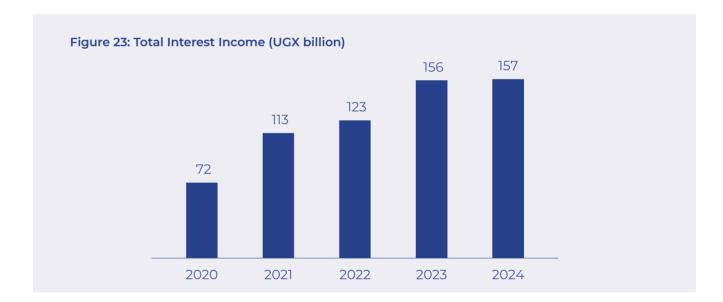
Ensuring Financial Sustainability

A review of the Bank's financial performance for the financial year 2024 compared to 2023:

Interest and fee Income

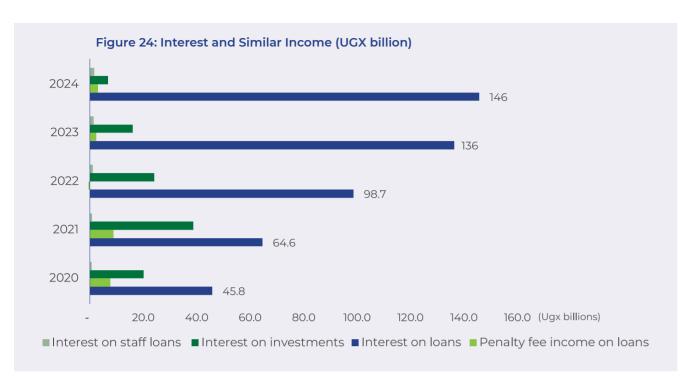
The Bank generates its core revenue primarily through interest and fees from loans and short-term investments. In 2024, gross interest and fee income grew marginally by UGX 1.1 billion (1%) to UGX 157.3 billion, up from UGX 156.2 billion in 2023. This modest growth was primarily driven by a 4% marginal growth in gross loans and advances, arising from liquidity challenges, stemming from delays and effectiveness

issues related to lines of credit. Interest expense and similar charges declined by 24% year-on-year (YOY) from UGX 13.5 billion in 2023 to UGX10.3 billion in 2024. This reduction was largely driven by the absence of new drawdowns during the year, compared to UGX 86.4 billion drawn in 2023, as well as continued repayments of existing borrowings.



Other Income

The Bank registered a net non-interest loss of UGX 2.7 billion in 2024, compared to a net income of UGX 2 billion in 2023. The drop was primarily due to foreign exchange losses and valuation losses on financial assets held at fair value.





Operating expenses

Operating expenses increased moderately to UGX 47.2 billion in 2024 from UGX 44.2 billion in 2023, driven by business growth and ongoing digitisation efforts. The cost increase is due to staff development initiatives, communication, higher professional fees related to security perfection and due diligence costs, motor vehicle expenses, depreciation, maintenance, and administration costs. Despite the increase, the Bank sustained strong cost efficiency with a cost-to-income ratio (with impairment) at 49% compared to 50.2% in the prior year. The cost-to-income ratio without impairment remained competitive at 31%, underscoring the effective cost control.

Net Impairment Loss and write-off of loans and advances

The impairment loss on financial assets declined by 16% to UGX 24 billion from UGX 28.5 billion in 2023, reflecting improved credit risk management and a healthier loan portfolio amidst ongoing macroeconomic pressures. The loan impairment ratio improved from 6.78% to 6.25%. The Bank wrote off previously impaired loans and advances amounting to UGX 28.6 billion (2023: Nil).

Strengthening the Financial Position of the Bank

The Bank's total assets grew by 7%, reaching UGX 1.78 trillion in 2024, up from UGX 1.67 trillion in 2023. This growth was primarily driven by capital injections by the Government of Uganda and the accumulation of retained earnings. The sections below provide a detailed analysis of the Bank's key assets and liabilities and their impact on overall financial performance.

Borrowings from development partners

Borrowings consist of Development Finance Institutions (DFIs) credit lines to support the Bank's developmental mandate. In 2024, the Bank established a robust funding pipeline amounting to approximately USD374.8 million from various multilateral development partners, aimed at sustainably financing priority sectors in line

with its strategic objectives. Additionally, new lines of credit totalling USD275 million were approved by the Parliament of Uganda, and the utilisation is pending fulfillment of the conditions of effectiveness. These efforts underscore the Bank's proactive approach to strengthening its long-term funding base.

Government of Uganda capital contribution

The Government of Uganda continued to support the Bank's capital base with additional capital contributions totalling UGX 80.7 billion in 2024, bringing the cumulative capitalisation to UGX 1,512 billion, up from UGX 1,373 billion in 2023. This capital enhancement remains central to the Bank's ability to scale up

development financing, especially to priority sectors such as SMEs, industry, and infrastructure. The capital injection also included receipts from the Kuwait Fund, which increased marginally to UGX 36.7 billion in 2024 from UGX 35.3 billion in the prior year.

Retained earnings

The Bank's retained earnings increased by 26.7%, from UGX 211.5 billion in 2023 to UGX 268.0 billion in 2024. This significant growth was driven by improved operational performance, efficient cost management, resulting in

strong net profit generated during the year, further strengthening the Bank's internal capital base and financial resilience.

Gross Loans and Advances

Gross loan and advances increased to UGX 1.64 trillion during the year, up from UGX 1.58 trillion in 2023. UGX 388.73 billion was disbursed to projects in 2024,

compared to UGX 610 billion in 2023. The growth in the Bank's funding base, reflows, and profitability continued to support the growth in loans and advances.

The Bank's total assets growth, reaching UGX1.78 trillion in 2024, up from UGX1.67 trillion in 2023



Figure 26: Loan portfolio growth

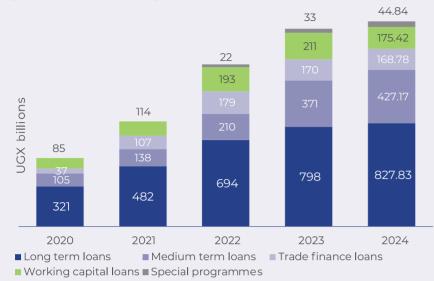


Figure 27: Gross loans vs loan impairment

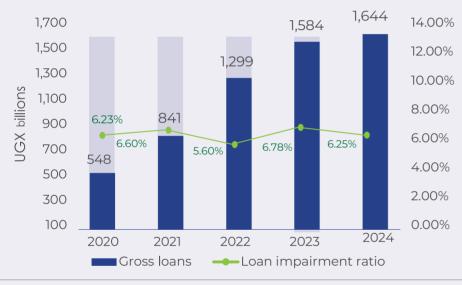


Figure 28: Interest and net interest income vs cost-to-income



Empowering Communities, Creating Opportunities, and Transforming Livelihoods, Improving the Quality of Life of Ugandans.







TABLE OF CONTENTS List of Abbreviations Report of The Auditor General on the Financial Statements of Uganda Development Bank Limited for The Financial Year Ended 31st December 2024 Introduction Basis for Opinion Key Audit Matters Responsibilities of the Directors for the financial statements Auditor's Responsibilities for the Audit of the Financial Statements Report on other Legal and Regulatory Requirements Financial Statements Financial Statements

LIST OF ABBREVIATIONS

ACRONYM	MEANING
AADFI	Association of African Development Finance Institutions
BOU	Bank of Uganda
EAD	Exposure at Default
ECL	Expected Credit Loss
FIA	Financial Institutions Act
FY	Financial Year
IESBA	International Ethics Standards Board for Accountants'
IFRSs	International Financial Reporting Standards
INTOSAI	International Organisation of Supreme Audit Institutions
ISAs	International Standards on Auditing
LGD	Loss Given Default
NAA	National Audit Act
PD	Probabilities of Default
SICR	Significant Increase in Credit Risk
UDB	Uganda Development Bank
UGX	Uganda Shillings
USD	United States Dollar

UGANDA DEVELOPMENT BANK LIMITED CORPORATE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2024

CORPORATE INFORMATION

DIRECTORS

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

Name Designation

Mr. Geoffrey T. Kihuguru Chairperson effective 02 January 2025 Mr. Felix Okoboi Directorship lapsed on 02 January 2025

Mrs. Patricia Ojangole Managing Director

Mr. Francis Tumuheirwe Directorship lapsed on 02 January 2025

Mrs. Rita Akot Apell Director
Mr. Busuulwa Joseph Kayongo Director
Dr. Albert Richards Otete Director
Mr. Bob Bonabo Munene Director

Dr. Theodora Twongyirwe Mondo Director effective 02 January 2025

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Plot 22, Hannington Road P. O. Box 7210 Kampala, Uganda

COMPANY SECRETARY

Mrs. Sophie K. Nakandi Uganda Development Bank Limited Plot 22, Hannington Road P. O. Box 7210 Kampala, Uganda

BANKERS

dfcu Bank Limited 26 Kyadondo Road, Nakasero

P. O. Box 70 Kampala, Uganda

Standard Chartered Bank Uganda Limited

5 Speke Road P. O. Box 7111 Kampala, Uganda

Housing Finance Bank Uganda Limited

2-4 Wampewo Avenue P. O. Box 1539 Kampala, Uganda

Centenary Bank Uganda Limited

2 Burton Street P. O. Box 1892 Kampala, Uganda Citibank Uganda Limited 4 Ternan Avenue, Nakasero

P. O. Box 7505 Kampala, Uganda

NCBA Bank Uganda Limited

1st Floor, Rwenzori Towers, Nakasero

P. O. Box 28707 Kampala, Uganda

Absa Bank Uganda Limited

2 Hannington Road P. O. Box 7101 Kampala, Uganda

Post Bank Uganda Limited 4/6 Nkurumah Road P. O. Box 7189 Kampala, Uganda

UGANDA DEVELOPMENT BANK LIMITED CORPORATE INFORMATION (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

AUDITORS

Auditor General Government of Uganda P. O. Box 7083 Kampala, Uganda

DELEGATED AUDITORS

Ernst & Young Certified Public Accountants of Uganda EY House Plot 18, Clement Hill Road Shimoni Office Village

P. O. Box 7215 Kampala, Uganda

LEGAL ADVISORS

J.B. Byamugisha Advocates 2nd Floor, EADB Building, 4 Nile Avenue P. O. Box 9400 Kampala, Uganda

Nangwala, Rezida and Co. Advocates Suite 3B, 9, 3rd Floor Yusuf Lule Road

P. O. Box 10304 Kampala, Uganda

Kalenge, Bwanika, Kisubi Advocates (KBK) 30 Lumumba Avenue

P. O. Box 8352 Kampala, Uganda

K & K Advocates 5A K & Chambers Acacia Avenue P. O. Box 6061 Kampala, Uganda

OSH Advocates

2nd Floor, West wing, Commercial Plaza

P. O. Box 36109 Kampala, Uganda H & G Advocates 29A Lumumba Avenue P. O. Box 7026 Kampala, Uganda

Ligomarc Advocates

5th Floor, Western Wing, Social Security

House 4 Jinja Road P. O. Box 8230 Kampala, Uganda

Sebalu & Lule Advocates S&L Chambers 14 MacKinnon Road P. O. Box 2255 Kampala, Uganda

CITADEL Advocates Trust Tower, 9th Floor 4 Kyadondo Road, Nakasero

P. O. Box 11070 Kampala, Uganda

ENSafrica Advocates 1st Floor, Rwenzori Towers 6 Nakasero Road, Nakasero

P. O. Box 11335 Kampala, Uganda

UGANDA DEVELOPMENT BANK LIMITED REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2024

The directors submit their report together with the audited financial statements of Uganda Development Bank Limited ("the Bank") for the year ended 31 December 2024, which disclose the state of affairs of the Bank.

INCORPORATION

The Bank was incorporated under the Companies Act Cap. 106 of Uganda on 31 March 2000.

2. PRINCIPAL ACTIVITIES

The principal activities of the Bank are to profitably promote and finance viable economic development in Uganda by providing finance in the form of short, medium, and long term secured loans and acquiring shares in viable businesses.

RESULTS

The results for the year are summarised below:

	2024	2023
	Ushs '000	Ushs '000
Profit before tax	73,192,165	72.015.714
Income tax expense	(15,375,545)	(22,211,432)
Profit for the year	57,816,620	49,804,282

4. RESERVES

The reserves of the Bank are set out on page 13.

5. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2024 (2023: Nil).

6. DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 2.

7. RISK

Risk is an integral part of the Banking business and Uganda Development Bank Limited aims at the delivery of superior shareholder value by achieving an appropriate trade-off between risk and returns. The Bank is exposed to various risks, including credit risk, market risk, operational risk, exogenous risk and climate risk. Our risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring.

i) Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Uganda Development Bank Limited measures, monitors and manages credit risk for each borrower and also at the portfolio level.

The Bank has a standardised credit approval process, which includes a well-established procedure of comprehensive credit appraisal and rating.

ii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and other prices, such as equity prices. The Bank's exposure to market risk is a function of its asset and liability management activities. The objective of market risk management is to minimize the impact of losses due to market risks on earnings and equity capital. Market risk policies include Asset-Liability Management (ALM) policies.

7. RISK (CONTINUED)

iii) Operational Risk

Operational risk can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, and inadequate training and employee errors. We mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning.

iv) Exogenous risk

Exogenous risk is driven by the Geopolitical tensions around the world and in 2023 particularly in Russia and Ukraine along with the consequential economic downturn and spillover effects on the Bank's borrowers.

v) Climate risk

Intensities of climate risk continue to increase as manifested in increased heating of the earth resulting in extreme drought in the cattle corridor, floods in the Elgon and Rwenzori regions, and changing weather patterns, among others. The effects increase vulnerabilities in the Agricultural sector which is the back borne of Uganda's economy.

Detailed risk management disclosures are presented in note 5 to the financial statements.

8. THE AADFI PRUDENTIAL STANDARDS, GUIDELINES AND RATINGS SYSTEM

Uganda Development Bank Limited is a member of the Association of African Development Finance Institutions (AADFI), a union of development banks in Africa whose main activities are the provision of information and training in the techniques of banking and finance as well as development policy advice to African bankers and finance officers.

In 2023, the Bank participated in a peer review of African Development Finance Institutions based on wide ranging criteria including governance standards, financial prudential standards, and operational standards. The Bank scored 94.42% in 2022 representing a "High" performance level. The directors are committed to continuous improvement in the Bank's rating.

9. AUDITOR

In accordance with Article 163 (3) of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 23 of the National Audit Act 2008, the financial statements are required to be audited once every year by the Auditor General of Uganda or an auditor appointed by him to act on his behalf.

For the year ended 31 December 2024, M/s Ernst & Young, Certified Public Accountants, were appointed to act on behalf of the Auditor General.

10. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue at the meeting of the Board of Directors held on 15th 2025.

By order of the Board

Mrs. Sophie K. Nakandi Company Secretary

UGANDA DEVELOPMENT BANK LIMITED STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2024

The Companies Act Cap. 106, of Uganda requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of financial affairs of the Bank as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure that the Bank keeps proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank. The Tax Procedures Code Act Cap. 343 requires a taxpayer with an annual turnover of Ugandan Shillings 500 million to furnish, with the taxpayer's return of income, audited financial statements prepared by an accountant registered by the Institute of Certified Public Accountants of Uganda (ICPAU). The financial statements are prepared by the Bank accountant with the oversight of the directors.

The directors are ultimately responsible for the internal control of the Bank. The directors delegate the responsibility for the internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the Bank's assets. Appropriate accounting policies supported by reasonable and prudent judgements and estimates, are applied on a consistent basis and using the going concern basis. These systems and controls include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap. 106, of Uganda. 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 operating results in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap. 106, of Uganda. The directors further accept the responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors certify that to the best of their knowledge, the information furnished to the external auditor for the purpose of the audit was correct and is an accurate representation of the Bank's financial transactions.

Nothing has come to the attention of the directors to indicate that the Bank may not remain a going concern for at least the next twelve months from the date of this statement.

Preparation and approval of the financial statements

The financial statements of Uganda Development Bank Limited for the year ended 31 December 2024 were prepared by CPA Denis Owens Ochieng - FM583.

Accountant

The financial statements were approved by the Board of Directors on signed on behalf of the Board of Directors by:

2025 and

GEOFFREY T. KIHUGURU Chairperson

BUSULWA KAYONGO Director

Dr. ALBERT RICHARDS OTETE Director

SOPHIE K NAKANDI Secretary

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF **UGANDA DEVELOPMENT BANK LIMITED FOR THE** FINANCIAL YEAR ENDED 31ST DECEMBER 2024

THE RT. HON. SPEAKER OF PARLIAMENT

Introduction

In accordance with Section 22 of the National Audit Act, Cap 170, I appointed M/s Ernst and Young Certified Public Accountants, to audit the financial statements of Uganda Development Bank Limited on my behalf, to enable me to report to Parliament in accordance with Article 163 (4) of the 1995 Constitution of the Republic of Uganda (as amended).

Opinion

I have audited the accompanying financial statements of Uganda Development Bank Limited ("the Bank") set out on pages 161 to 250, which comprise the statement of financial position as at 31st December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Uganda Development Bank Limited as at 31st December 2024, and of its financial performance and its cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act Cap. 106 of Uganda.

Basis for Opinion

I conducted the audit in accordance with International Standards on Auditing (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 Bank in accordance with 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 the audit of the Bank. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Kev Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter be, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements;

Key Audit Matter

How my audit addressed the key audit matter

Expected Credit Losses (ECL) on loans and advances to customers

As disclosed in Note 20 to the financial statements, as at | My audit procedures included, but were 31st December 2024, the Bank had an allowance for expected credit losses of UGX.86,658 million (2023: UGX.106,807 million) charged on gross loans and advances • to customers of UGX.1,644,035 million (2023: UGX.1,583,984 million). The expected credit losses are based on a forward-looking approach that recognizes impairment loss allowances in accordance with IFRS 9 Financial Instruments. The estimation of expected credit losses requires the Bank to make significant judgements in the consideration of the following variables:

- · Allocation of loan facilities due from customers to stages 1, 2 and 3 in accordance with IFRS 9 based on;
 - Credit exposures for which there has been a significant increase in credit risk since initial recognition, and for which a loss allowance is recognized over the remaining life of the exposure (life-time ECL); and
 - Credit exposures for which there has been no significant increase in credit risk, and for which a loss allowance is recognized for default events that are possible within the next 12-months (12-month ECL).
- · Stratification of assets under different credit portfolio on the basis of the associated credit risk.
- Assessment of Probability of Default (PD) and Loss Given Default (LGD).
- · Application of historical and forward-looking information, including macro-economic factors in the assessment of the PDs.
- · Assessing and forecasting expected future cash flows from impaired (stage 3) loans and advances to customers and assessing the financial condition of the counterparty, estimated recoverable amounts and collateral realization.
- Expected utilization of overdraft and other lending commitments over the lifetime of the commitments.
- · Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss models.

not limited to:

- Reviewed the accounting policies for compliance with IFRS 9 requirements.
- Reviewed the ECL models including whether the assumptions applied, and the functioning and application of the models were accordance with IFRS 9.
- Reviewed the allocation of loans and advances to customers to stages 1, 2 and 3 for compliance with IFRS 9 basing on the performance of the loans and the available information.
- Evaluated the assumptions made to factor expected future cash flows into the ECL computations taking into account market conditions and post-reporting performance of the loan facilities.
- I evaluated the reliability of data sources including collateral valuation used in the ECL calculations. This included reviewing loan files to check where appropriate, if the inputs agreed to the supporting documentation.
- I assessed whether disclosures made in the financial statements agreed to the audited balances and information and whether they were in accordance with IFRS 9 Financial instruments.

Key Audit Matter	How my audit addressed the key audit matter
Due to the significance of the amounts and significant judgements and related estimation uncertainty involved, the assessment of ECLs has been considered a key audit matter. The complexity of these estimates requires management to disclose the key judgments and the key inputs into the ECL computations. These disclosures include those in Notes 4(h)(vii), 5(a), and 20 to the financial statements regarding the accounting policies and explanatory notes.	

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' report as required by the Companies Act, Cap 106 of Uganda, company information and the statement of directors' responsibilities, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors 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 Companies Act, Cap. 106 of Uganda, 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 Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Bank's financial reporting processes.

Auditor'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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the financial statements, whether
 due to fraud or error, design and perform audit procedures responsive to those risks, and
 obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The
 risk of not detecting a material misstatement resulting from fraud is higher than for one
 resulting from error, as fraud may involve collusion, forgery, intentional omissions,
 misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of expressing
 an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including
 the disclosures, and whether the financial statements represent the underlying transactions
 and events in a manner that achieves fair presentation.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because

the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

As required by the Companies Act, Cap. 106 of Uganda, I report to you, based on my audit, that;

- I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of my audit;
- ii. In my opinion, proper books of account have been kept by the Bank, so far as appears from my examination of those books; and
- iii. The Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Edward Akol

AUDITOR GENERAL

29th April 2025

UGANDA DEVELOPMENT BANK LIMITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 Ushs '000	2023 Ushs '000
Interest income calculated using the effective interest rate method Interest and similar income Interest expense calculated using the effective interest rate	8 8	151,785,132 5,532,310	151,236,397 4,988,560
method	9	(10,298,526)	(13,479,273)
Net interest income		147,018,916	142,745,684
Net foreign exchange (loss)/ gain Fair value loss on equity investments Other income Net impairment and modification losses on financial instruments	10 23 11 20(e)	(3,299,882) (40,235) 672,882 (24,004,414)	1,161,871 (20,793) 860,493 (28,502,538)
Operating income after impairment losses		120,347,267	116,244,717
Personnel expenses Depreciation and amortization Other operating expenses Profit before tax	12 13 14 15	(29,363,504) (1,754,030) (16,037,568) 73,192,165	(27,711,094) (1,212,032) (15,305,877) 72,015,714
Income tax expense	17(a)	(15,375,545)	(22,211,432)
Profit for the year		57,816,620	49,804,282
Other comprehensive income Items that will not be classified to profit or loss			
Loss on revaluation of property and equipment Deferred tax on revaluation loss	26	(2,283,314) <u>684,994</u> (1,598,320)	<u>-</u>
Total comprehensive income net of tax		<u>56,218,300</u>	49,804,282
Basic and diluted earnings per share	16	<u>65.82</u>	<u>56.70</u>

UGANDA DEVELOPMENT BANK LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	Note	2024 Ushs '000	2023 Ushs '000
ASSETS		03113 000	03113 000
Cash and cash equivalents	18	15,209,124	19,709,058
Deposits held in banks	19	89,302,730	66,747,872
Customer loans and advances	20	1,532,448,545	1,470,099,782
Staff loans and advances	21	10,884,779	9,137,893
Other assets	22	24,763,870	27,762,404
Current income tax recoverable	17(b)	3,343,524	1,748,063
Equity investments	23 ´	1,761,538	1,801,773
Other financial investments	24	3,533,797	-
Investment in associate	25	4,811,424	4,707,754
Property and equipment	26	69,748,567	49,374,013
Right of use assets	27(a)	748,799	579,393
Intangible assets	28	530,661	122,715
Deferred tax asset	17(c)	25,100,829	14,940,154
TOTAL ASSETS		<u>1,782,188,187</u>	<u>1,666,730,874</u>
LIABILITIES AND EQUITY			
Liabilities			
Amounts due to Bank of Uganda	29	9,569,258	8,708,347
STI-OP Fund	30	28,952,632	-
Other liabilities	31	56,976,985	46,572,699
Lease liabilities	27(b)	546,835	404,115
Borrowings	32	161,795,029	219,022,182
European Union grant	33	4,287,146	8,568,264
UNCDF Fund	34	<u>7,992,915</u>	<u>7,585,139</u>
		<u>270,120,800</u>	<u>290,860,746</u>
Equity			
Issued share capital	35	878,359,004	878,359,004
GOU capital contributions	36	328,713,734	248,049,781
Kuwait Special Fund	37	36,715,059	35,349,112
Asset revaluation reserve	38	279,928	2,563,242
Retained earnings	39	<u>267,999,662</u>	211,548,989
		<u>1,512,067,387</u>	<u>1,375,870,128</u>
TOTAL LIABILITIES AND EQUITY		<u>1,782,188,187</u>	1,666,730,874

The financial statements were approved for issue by the Board of Directors on......2025 and signed on its behalf by:

GEOFFREY T. KIHUGURU

Chairperson

BUSULWA KAYONGO Director DR. ALBERT RICHARDS OTETE Director

SOPHIE K. NAKANDI Secretary

UGANDA DEVELOPMENT BANK LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

Total Ushs'000	1,228,752,260 49,804,282 97,313,586	1,375,870,128	Total Ushs'000	1,375,870,128 57,816,620	80,663,914)	1,512,067,387
Retained earnings Ushs'000	165,871,267 49,804,282 - (4,126,560)	211,548,989	Retained earnings Ushs'000	211,548,989 57,816,620	- (1,365,947)	267,999,662
Asset revaluation reserve Ushs '000	2,563,242	2,563,242	Asset revaluation reserve Ushs '000	2,563,242	(4,203,314)	279,928
Kuwait Special Fund Ushs'000	31,222,552 - 4,126,560	35,349,112	Kuwait Special Fund Ushs'000	35,349,112	1,365,947	36,715,059
GOU capital contributions Ushs'000	150,736,195 - 97,313,586	248,049,781	GOU capital contributions Ushs'000	248,049,781	80,663,953	328,713,734
Share capital Ushs'000	878,359,004	878,359,004	Share capital Ushs'000	878,359,004	' '	878,359,004
	At 1 January 2023 Total comprehensive income for the year Government of Uganda capital contributions Transfers to Kuwait Fund	At 31 December 2023		At 1 January 2024 Total comprehensive income for the year	Covernment of Uganda capital contributions Transfers to Kuwait Special Fund	At 31 December 2024

UGANDA DEVELOPMENT BANK LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 Ushs '000	2023 Ushs '000
CASH FLOWS FROM OPERATING ACTIVITIES Operating cash flows before changes in operating assets and			
liabilities	45	<u>(31,854,432)</u>	<u>(24,710,059)</u>
Changes in operating assets and liabilities		(22 222 223)	(()
Increase in customer loans and advances Decrease/(increase) in other assets		(60,050,720) 4,037,805	(258,773,436) (2,825,495)
Increase/(decrease) in other liabilities		10,404,286	(8,469,208)
(Increase)/decrease in staff loans and advances		(1,771,556)	349,856
Increase in STI-OP Fund Increase in UNCDF Fund		28,952,632 407,776	- 1,854,807
(Decrease/increase in European Union Grant		(4,281,118)	5,928,377
Cash used in operations		(54,155,327)	(283,103,279)
		104,100,0217	<u>(200, 100, 210)</u>
Income tax paid	17(b)	(27,131,681)	(35,574,391)
Interest paid on borrowings Interest paid on lease liabilities	32 27(b)	(10,542,709) (50,757)	(11,970,023) (4,617)
Interest income received on staff and customer loans and advances	45	108,886,025	112,714,243
Net cash flows generated from/(used) in operations		<u>17,005,551</u>	<u>(217,938,067)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	26	(24,173,786)	(10,977,764)
Acquisition of intangible assets	28	(576,306)	(90,308)
Acquisition of convertible notes Additions to investment in associate	22 25	(1,150,206) (103,670)	(4,698,628) (4,707,754)
Acquisition of other financial investments	24	(3,533,797)	(1,056,581)
Net cash used in investing activities		(29,537,765)	(21,531,035)
net saen assa in intesaing assistant		120,001,1007	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease liability paid	27(b)	(81,878)	(33,985)
Proceeds of amounts due to Bank of Uganda	29	2,439,641	· · · · · · · · · · · · · · ·
Repayments of amounts due to Bank of Uganda	29	(1,578,730)	(810,850)
Proceeds from borrowings Repayment of principal borrowings	32 29	(50,604,544)	86,443,378 (77,153,775)
Government of Uganda capital contributions	37	80,663,953	97,313,586
Payment of initial direct costs on leases	27(a)	-	(152,563)
Net cash flows generated from financing activities		30,838,442	105,605,791
Net decrease in cash and cash equivalents		18,306,228	(133,863,311)
Cash and cash equivalents at 1 January		86,456,930	220,401,420
Effects of exchange rate changes on cash and cash equivalents		<u>(251,304)</u>	<u>(81,179)</u>
Cash and cash equivalents at 31 December	18	<u>104,511,854</u>	<u>86,456,930</u>

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL INFORMATION REPORTING ENTITY

Uganda Development Bank Limited (the "Bank") is a company domiciled in Uganda. The address of the Bank's registered office is:

Uganda Development Bank Limited Plot 22, Hannington Road P. O. Box 7210 Kampala, Uganda

The principal activities of the Bank are to profitably promote and finance viable economic development in Uganda by providing finance in the form of short, medium, and long term secured loans and acquiring shares in viable businesses.

2. Accounting Policy elections

(a) Basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Bank's accounting policies. 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 6.

(b) Statement of compliance

The financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS) and the Companies Act Cap. 106 of Uganda.

(c) Presentation of financial statements

The Bank presents its Statement of Financial Position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 5(c).

Financial assets and financial liabilities are generally reported gross in the Statement of Financial Position except when IFRS netting criteria are met.

Other instruments are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the bank also intends to settle on a net basis in all the following circumstances:

- The normal course of business
- · The event of default
- The event of insolvency or bankruptcy of the bank and or its counterparties.

(d) Going concern

The directors have assessed the Bank's ability to continue as a going concern and are satisfied that the Bank has the resources to continue in business for the foreseeable future. The Bank has maintained profitability during the year and also received additional share capital and as such has sufficient capital to absorb losses for the foreseeable future. Furthermore, the directors are not aware of any other material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(e) Functional and presentation currency

The financial statements are presented in Uganda Shillings (Ushs), which is the Bank's functional currency. All financial information presented in Uganda shillings has been rounded to the nearest thousand (Ushs '000) except where otherwise indicated.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The financial statements have been prepared in compliance with the standards and interpretations applicable for financial periods commencing on or after 1 January 2024.

New and amended standards and interpretations that were effective during the reporting period

The new and amended standards which are effective for annual periods beginning on or after 1 January 2024 had no impact on the Bank's financial statements. These are listed below;

- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Supplier Finance Arrangements Amendments to IAS 7 and IFRS 7

New and revised IFRS Accounting Standards as issued by the International Accounting Standards Board issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standards issued but not yet effective that are expected to have a material impact on the Bank's financial statements

IFRS 18 – Presentation and Disclosure in Financial Statements (Effective for annual periods on or after 1 January 2027)

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

IFRS 18, and the consequential amendments to the other accounting standards, is effective for reporting periods beginning on or after 1 January 2027 and must be applied retrospectively. Early adoption is permitted and must be disclosed.

The directors are still making assessments of the impact of the systems to the Bank's financial reporting process and systems and intend to adopt the requirements when they become effective.

Standards issued but not yet effective that are not expected to have a material impact on the Bank's financial statements

- Lack of exchangeability Amendments to IAS 21 (Effective for annual periods on or after 1 January 2025)
- Classification and Measurement of Financial instruments- Amendments to IFRS 9 and IFRS 7(Effective for annual periods on or after 1 January 2026)
- Annual Improvements to IFRS Accounting Standards—Volume 11 (Effective for annual periods on or after 1 January 2026)
- Power Purchase Agreements Amendments to IFRS 9 and IFRS 7 (Effective for annual periods on or after 1 January 2026)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures Effective for annual periods on or after 1 January 2027)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Amendments
 to IFRS 10 and IAS 28 (In December 2015, the IASB postponed the effective date of this amendment
 indefinitely pending the outcome of its research project on the equity method of accounting)

4. MATERIAL ACCOUNTING POLICY INFORMATION

a) Foreign currency translation

The financial statements are presented in Uganda shillings in thousands (Ushs'000), which is also the functional currency of the entity. Transactions in foreign currencies are initially recorded in the functional currency at the spot exchange rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date.

All translation gains and losses arising on non-trading activities are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial recognition.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI, or profit or loss are also recognised in OCI or profit or loss, respectively).

b) Interest income and interest 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 profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees 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.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-simulation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

b) Interest income and interest expense (Continued)

Presentation

Interest income calculated using the effective interest method presented in profit or loss includes:

interest on financial assets measured at amortised cost;

Interest expense presented in profit or loss includes interest on financial liabilities measured at amortised cost.

(c) Fees and commission income and expense

Fees and commission income and expense that are integral to the effective interest on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income including account servicing fees and syndication fees are recognised as the related services are performed.

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. The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry.

Other fees and commission expense relate mainly to transaction and services fee, which are expensed as the services are received.

(d) Other income

Other income includes gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established. Usually this is the exdividend date for equity securities. Dividends are presented in other income.

(f) Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(g) Income tax expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in equity, in which case the tax is also recognised in equity.

(i) Current income tax

Current income tax is provided for in the statement of comprehensive income on the basis of the results for the year shown in the financial statements adjusted in accordance with the provisions of the Ugandan Income Tax Act Cap. 338

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The Bank periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(g) Income tax expense (continued)

(ii) Deferred income tax

Deferred tax is provided for in full using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilised.

However, if the deferred tax 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, it is not accounted for.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. The directors have assessed the Bank's right to offset and found that this is applicable to the Bank for all periods presented.

The income tax expense is the aggregate of the charge to profit or loss in respect of current income tax and deferred tax.

(h) Financial assets and financial liabilities

Recognition and initial measurement

Date of recognition

The Bank initially recognises loans and advances to customers, deposits and debt securities issued on the date on which they are originated. Loans and advances to customers are recognised when funds are transferred to the customers' accounts and the Bank recognises balances due to customers when funds are transferred to the Bank. All other financial instruments, including regular-way purchases and sales of financial assets, are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or reduced by transaction costs that are directly attributable to its acquisition or issue respectively, for an item not at fair value through profit or loss. The fair value of a financial instrument at initial recognition is generally its transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In
 particular, whether management's strategy focuses on earning contractual interest revenue,
 maintaining a particular interest rate profile, matching the duration of the financial assets to the
 duration of the liabilities that are funding those assets or realising cash flows through the sale of the
 assets:
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its
 expectations about future sales activity. However, information about sales activity is not considered
 in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the
 financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial

recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

(h) Financial assets and financial liabilities (Continued)

ii) Classification (continued)

In assessing whether the contractual cash flows are solely for payment of principal and interest (SPPI), the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features:
- prepayment and extension terms;
- · terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance.

The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Financial assets and financial liabilities (Continued)

ii) Classification (continued)

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL are disclosed in Note 5(a).

iii) Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in (0). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are sale-and-repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

(h) Financial assets and financial liabilities (Continued)

iv) Modifications of financial assets and financial liabilities (Continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for c policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If the terms of a financial asset are modified because of financial difficulties of the borrower and the asset is not derecognised, then impairment of the asset is measured using the pre-modification interest rate.

If a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income/expense calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Financial assets and financial liabilities (Continued)

vi) Fair value measurement (Continued)

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price- i.e., the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments- e.g., bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments Those where the inputs used in the valuation are unadjusted quoted
 prices from active markets for identical assets or liabilities that the Bank has access to at the
 measurement date. The Bank considers markets as active only if there are sufficient trading activities
 with regards to the volume and liquidity of the identical assets or liabilities and when there are binding
 and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
- Level 3 financial instruments Those that include one or more unobservable input that is significant to the measurement as whole.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(h) Financial assets and financial liabilities (Continued)

vi) Impairment

The Bank recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.
- Other financial investments

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which ECLs are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the generally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected
 cash flows arising from the modified financial asset are included in calculating the cash shortfalls
 from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair
 value of the new asset is treated as the final cash flow from the existing financial asset at the time of
 its derecognition. This amount is included in calculating the cash shortfalls from the existing financial
 asset that are discounted from the expected date of derecognition to the reporting date using the
 original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Financial assets and financial liabilities (Continued)

vii) Impairment (Continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- · a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- · it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- · The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowances for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets:
- Loan commitments and financial guarantee contracts: as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial
 position because the carrying amount of these assets is their fair value. However, the loss allowance
 is disclosed and is recognised in the fair value reserve.

Write-off

Financial assets are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(h) Financial assets and financial liabilities (Continued)

vii) Impairment (Continued)

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

Measurement of impairment

The Bank calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A
 default may only happen at a certain time over the assessed period, if the facility has not been
 previously derecognised and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into
 account expected changes in the exposure after the reporting date, including repayments of principal
 and interest, whether scheduled by contract or otherwise, expected drawdowns on committed
 facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at
 a given time. It is based on the difference between the contractual cash flows due and those that the
 lender would expect to receive, including from the realisation of any collateral or credit enhancements
 that are integral to the loan and not required to be recognised separately. It is usually expressed as
 a percentage of the EAD.

When estimating the ECL, the Bank considers scenarios. Each of the scenarios is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. Further details on the above are included in the note on financial risk management.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Financial assets and financial liabilities (Continued)

vii) Impairment (Continued)

Reversal of impairment

- For assets measured at amortised cost: If an event occurring after the impairment was recognised
 causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed
 through profit or loss.
- For debt security held at fair value through OCI (FVOCI): If in a subsequent period, the fair value of
 an impaired debt security increases and the increase could be related objectively to an event
 occurring after the impairment loss was recognised, then the impairment loss is reversed through
 profit or loss. Otherwise, any increase in fair value is recognised through OCI. Any subsequent
 recovery in the fair value of an impaired debt security at FVOCI is always recognised in OCI.

Presentation of ECLs in the statement of profit or loss and other comprehensive income

- Impairment losses are recognised in profit or loss and are presented separately. Interest on the impaired assets continues to be recognised through the unwinding of the discount.
- Impairment losses on investment securities at FVOCI are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method are reflected as a component of interest income.

Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties, and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Bank also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

viii) Staff loans

In the normal course of business, the Bank advances loans to employees at below market rate. These loans are measured initially at fair value. The favourable loan term offered to employees are dependent on the continued employment and therefore relate to services to be rendered in future periods. The interest benefit is forfeited if the employee leaves the Bank. The benefit is a long-term benefit to the employees and the discount arising from the difference between the nominal value and the market value is treated as a prepayment and expensed in profit or loss in the period in which the services are rendered.

(i) Cash and cash equivalents

Cash and cash equivalents include notes and cash on hand, deposits held at call with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Investment securities

The 'investment securities' caption in the statement of financial position includes debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss.

(k) Property and equipment

Recognition and measurement

Property and equipment are stated at cost or revalued amount, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

After recognition as an asset, land and buildings are carried at their revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made after every 3 years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. The revaluation surplus is transferred to retained earnings upon derecognition of the asset to which it relates.

ii) Subsequent costs

Subsequent expenditure on an asset is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank and the expenditure improves the condition of the asset beyond its previously assessed standard of performance. Ongoing repairs and maintenance are expensed as incurred.

iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. The rates of depreciation used are based on the following estimated useful lives:

Buildings 50 years
Motor vehicles 5 years
Fixtures, fittings and equipment 8 years
Computers 4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iv) Impairment

The Bank assesses at each reporting 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 asset. 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 of disposal 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.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Property and equipment (continued)

v) Derecognition

An item of property or equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

(I) Intangible assets

Software acquired by the Bank is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The core-banking system acquired has a useful life of five years.

The intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(m) Share capital

Ordinary shares are classified as "share capital" in equity and are measured at the fair value of the consideration receivable, net of transaction costs, without subsequent re-measurement. Any premium received over and above the par value of the shares is classified as "share premium" in equity. Contributions received from the Government of Uganda and for which no shares have been allotted are classified as Government of Uganda capital contributions pending allotment of shares.

(n) Employee benefits

Defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ii) Short-term benefits

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services. They exclude equity-based benefits and termination benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

iii) Termination benefits

Termination benefits are recognised as an expense when the Bank is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Other Long term Employee benefits

(i) Service gratuity

Gratuity expenses are accrued for staff whose contracts contain gratuity benefits in specific contributions as specified by their contracts and payments made after the contract term has elapsed.

(o) Contingent liabilities and commitments

The Bank enters into various irrevocable commitments and contingent liabilities in order to meet the financial needs of its customers. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and therefore, form part of the overall risk of the Bank.

(p) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all any potentially dilutive ordinary shares.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For all assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years.

The Bank did not need to record any impairment loss for its non-financial assets during the reporting period.

(r) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. "The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and an estimate of costs to dismantle and remove any improvements made to branches or office premises. Right-of-use assets are depreciated on a straight-line basis over the lease term."

The right-of-use assets are presented separately on the statement of financial position and are subject to impairment in line with the Bank's policy on impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the incremental borrowing rate. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

(r) Leases (Continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents lease liabilities separately on the statement of financial position.

(s) Kuwait Special Fund

The Bank managed these funds in trust on behalf of the Government of Uganda. The funds were recorded as a liability on receipt of the funds and the corresponding entries were recorded under cash and bank balances or loans and advances to customers until 14 October 2022 when Kuwait approved transfer of this the Kuwait Special Fund from the Bank's liabilities' section to the equity section.

(t) Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(u) Investment in Associates

Associates are those entities in which the bank has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Bank's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

The accounting policies are consistent with those reported in the previous year except for the adoption of the standards and amendments effective for the current period as set out note 3 to the financial statements.

(v) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT

The Bank has exposure to various risks from its use of financial instruments including; credit, liquidity and market risk.

The Bank's board of directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank through its procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit and Risk Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit and Risk Committee is assisted in these functions by internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Bank's policy is that risk management processes are audited by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of its assessment with management and reports its findings and recommendations to the Audit and Risk committee.

The Board Strategic Planning Committee is responsible for managing its assets and liabilities and the overall financial structure. It is also responsible for the funding and liquidity risks of the Bank.

Concentrations arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry.

a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loan and advances to customers. For risk management reporting purposes, the Bank considers all elements of credit risk exposure such as individual obligator default risk and sector risk.

In the normal course of its business, the Bank incurs credit risk from deposits with banks, loans and advances to customers, staff loans and other assets.

Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Impaired loans and advances

Impaired loans and advances are those which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s).

The Bank measures the loss allowance on loans and advances at an amount equal to the 12-month or lifetime expected credit losses depending on whether or not the credit risk has increased significantly since initial recognition.

Internal credit risk ratings

In order to minimize credit risk, the Bank has tasked its credit management committee to develop and maintain the Bank's credit risk grading to categorize exposures according to their degree of risk of default.

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Internal credit risk ratings (Continued)

The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored, and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Bank's exposures:

- a) Delinquency in contractual payments of principal or interest;
- b) Cash flow difficulties experienced by the borrower;
- c) Breach of loan covenants or conditions;
- d) Initiation of bankruptcy proceedings;
- e) Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Bank's internal credit risk grades.

Bank's rating	Description of the grade	Qualitative factor
1	Performing	0 - 29 days outstanding
2	Performing with significant increase in credit risk	30 -89 days outstanding
3	Non-performing	>90 days outstanding

Forward-looking information

The Bank analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as inflation rates, business tendency indicators and treasury bill rates. The Bank generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Bank then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria include:

- Payment record this includes overdue status as well as a range of variables about payment ratios.
- Utilisation of the granted limit.
- Requests for and granting of restructuring.
- Existing and forecast changes in business, financial and economic conditions.
- Internally collected data on customer behavior e.g. utilisation of credit card facilities
- However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.
- The Bank monitors credit risk per class of financial instrument. The table below outlines the classes
 identified, as well as the financial statement line item and the note that provides an analysis of the
 items included in the financial statement line for each class of financial instrument.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

The Bank's maximum exposure to credit risk before collateral held is as follows:

	2024 Ushs '000	2023 Ushs '000
Cash and cash equivalents (Note 18)	15,209,124	19,709,058
Deposits held in other banks (Note 19)	89,302,730	66,747,872
Loans and advances (Note 20)	1,532,448,545	1,470,099,782
Staff loans and advances (Note 21)	10,884,779	9,137,893
Other assets* (Note 22)	22,280,180	24,462,191
Other financial investments (Note 24)	3,533,797	-
Off balance sheet items**	245,938,822	83,094,121
	<u>1,919,597,977</u>	<u>1,673,250,916</u>

The above table represents the worst-case scenario of credit risk exposure to the Bank as at 31 December 2024 and 31 December 2023 without taking into account any collateral held. The exposures are based on carrying amounts as reported in the statement of financial position.

*Other assets above exclude non-financial assets such as prepayments, security deposits and work in progress.

The table below sets out the information about the credit quality of the Bank's loans and advances and the allowance for impairment /loss held by the bank against those assets.

Maximum exposure to credit risk — Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

Long term loans		2024 ECL Staging		
	Stage 1 Ushs '000	Stage 2 Ushs '000		Total Ushs '000
Loan category: Performing	498,343,302			498,343,302
Performing Performing with significant increase in	490,343,302	•	·	490,343,302
credit risk		232,494,954		232,494,954
Non-performing Gross carrying amount	498,343,302	232,494,954	96,992,734 97,107,013	96,992,734 827,830,990
Loss allowance	(6,150,348)	(23,047,977)		(56,793,022)
Carrying amount	492,192,954	209,446,977	69,398,037	771,037,968
Long term loans	i	2023 ECL Staging		
	Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000
Loan category: Performing	576,510,524			576,510,524
Performing Performing with significant increase in	370,310,324	-	-	370,310,324
credit risk	-	108,744,210	-	108,744,210
Non-performing Gross carrying amount	576,510,524	108,744,210	113,012,514 113,012,514	113,012,514 798,267,248
Loss allowance	(15,824,352)	(9,902,740)	(35,647,812)	(61,374,904)
Carrying amount				

^{**}Off balance sheet items relate to undrawn commitments, letters of credit and financial guarantees.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Medium term loans Loan category:	Stage 1 Ushs '000	2024 ECL Staging Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000
Performing	215,909,331	-	-	215,909,331
Performing with significant increase in credit risk	-	178,578,634	_	178,578,634
Non-performing	_	_	32,677,684	32,677,684
Gross carrying amount	215,909,331	178,578,634	32,677,684	
Loss allowance	(4,179,796)	(8,447,362)	(6,615,718)	(19,242,876)
Carrying amount	<u>211,729,535</u>	<u>170,131,272</u>	<u>26,061,966</u>	407,922,773
Medium term loans	Stage 1 Ushs '000	2023 ECL Staging Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000
Loan category: Performing	264,658,503	_	_	264,658,503
Performing with significant increase in	201,000,000			
credit risk	-	81,511,714	- 25 070 /10	81,511,714
Non-performing Gross carrying amount	<u>264,658,503</u>	81,511,714	25,078,418 25,078,418	25,078,418 371,248,635
Loss allowance	(13,921,241)	(7,383,119)	(4,661,107)	(25,965,467)
Carrying amount	250,737,262	<u>74,128,595</u>	<u>20,417,311</u>	<u>345,283,168</u>
Trade finance loans	Stage 1 Ushs '000	2024 ECL Staging Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000
Loan category:	Ushs '000	ECL Staging Stage 2		Ushs '000
		ECL Staging Stage 2		
Loan category: Performing Performing with significant increase in credit risk	Ushs '000	ECL Staging Stage 2	Ushs ['] 000 -	Ushs '000 101,921,600 34,194,389
Loan category: Performing Performing with significant increase in credit risk Non-performing	Ushs '000 101,921,600 -	Stage 2 Ushs '000	Ushs '000 - - 32,664,525	Ushs '000 101,921,600 34,194,389 32,664,525
Loan category: Performing Performing with significant increase in credit risk	Ushs '000	ECL Staging Stage 2 Ushs '000	Ushs ['] 000 -	Ushs '000 101,921,600 34,194,389
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount	Ushs '000 101,921,600 - - - - 101,921,600	Stage 2 Ushs '000	Ushs '000 - 32,664,525 32,664,525	Ushs '000 101,921,600 34,194,389 32,664,525 168,780,514
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance	Ushs '000 101,921,600	ECL Staging Stage 2 Ushs '000 - 34,194,389 - 34,194,389 (457,702) 33,736,687 2023 ECL Staging Stage 2	Ushs '000 - 32,664,525 32,664,525 (661,550) 32,002,975 Stage 3	Ushs '000 101,921,600 34,194,389 32,664,525 168,780,514 (1,211,338) 167,569,176
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance Carrying amount Trade finance loans Loan category:	Ushs '000 101,921,600 - 101,921,600 (92,086) 101,829,514 Stage 1 Ushs '000	ECL Staging Stage 2 Ushs '000 - 34,194,389 - 34,194,389 (457,702) 33,736,687 2023 ECL Staging	Ushs '000 - 32,664,525 32,664,525 (661,550) 32,002,975	Ushs '000 101,921,600 34,194,389 32,664,525 168,780,514 (1,211,338) 167,569,176 Total Ushs '000
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance Carrying amount Trade finance loans Loan category: Performing	Ushs '000 101,921,600	ECL Staging Stage 2 Ushs '000 - 34,194,389 - 34,194,389 (457,702) 33,736,687 2023 ECL Staging Stage 2	Ushs '000 - 32,664,525 32,664,525 (661,550) 32,002,975 Stage 3	Ushs '000 101,921,600 34,194,389 32,664,525 168,780,514 (1,211,338) 167,569,176
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance Carrying amount Trade finance loans Loan category: Performing Performing with significant increase in credit risk	Ushs '000 101,921,600 - 101,921,600 (92,086) 101,829,514 Stage 1 Ushs '000	ECL Staging Stage 2 Ushs '000 - 34,194,389 - 34,194,389 (457,702) 33,736,687 2023 ECL Staging Stage 2	Ushs '000 - 32,664,525 32,664,525 (661,550) 32,002,975 Stage 3 Ushs '000	Ushs '000 101,921,600 34,194,389 32,664,525 168,780,514 (1,211,338) 167,569,176 Total Ushs '000 104,535,138 30,875,902
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance Carrying amount Trade finance loans Loan category: Performing Performing with significant increase in credit risk Non-performing	Ushs '000 101,921,600 - 101,921,600 (92,086) 101,829,514 Stage 1 Ushs '000 104,535,138	ECL Staging Stage 2 Ushs '000 - 34,194,389 - 34,194,389 (457,702) 33,736,687 2023 ECL Staging Stage 2 Ushs '000 - 30,875,902	Ushs '000 - 32,664,525 32,664,525 (661,550) 32,002,975 Stage 3 Ushs '000 - 34,963,779	Ushs '000 101,921,600 34,194,389 32,664,525 168,780,514 (1,211,338) 167,569,176 Total Ushs '000 104,535,138 30,875,902 34,963,779
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance Carrying amount Trade finance loans Loan category: Performing Performing with significant increase in credit risk	Ushs '000 101,921,600 - 101,921,600 (92,086) 101,829,514 Stage 1 Ushs '000	ECL Staging Stage 2 Ushs '000 34,194,389 34,194,389 (457,702) 33,736,687 2023 ECL Staging Stage 2 Ushs '000	Ushs '000 - 32,664,525 32,664,525 (661,550) 32,002,975 Stage 3 Ushs '000	Ushs '000 101,921,600 34,194,389 32,664,525 168,780,514 (1,211,338) 167,569,176 Total Ushs '000 104,535,138 30,875,902

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Working capital loans	Stage 1 Ushs '000	2024 ECL Staging Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000
Loan category:				
Performing Performing with significant increase in	75,027,489 -	-	-	75,027,489
credit risk Non-performing Gross carrying amount	75,027,489	47,182,676 - 47,182,676	53,211,223 53,211,223	47,182,676 53,211,223 175,421,388
Loss allowance	(1,212,165)	(169,383)	(5,580,038)	(6,961,586)
Carrying amount	73,815,324	<u>47,013,293</u>	<u>47,631,185</u>	<u>168,459,802</u>
Working capital loans	Stage 1 Ushs '000	2023 ECL Staging Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000
Loan category:		000		
Performing Performing with significant increase in	131,291,287	-	-	131,291,287
credit risk	-	24,109,876	- FF 640 06F	24,109,876
Non-performing Gross carrying amount Loss allowance	131,291,287 (2,946,038)	24,109,876 (320,039)	55,642,865 55,642,865 (9,480,738)	55,642,865 211,044,028 (12,746,815)
Carrying amount	128,345,249	<u>23,789,837</u>	<u>46,162,127</u>	<u>198,297,213</u>
		2024		
Special programs loans	Stage 1 Ushs '000	ECL Staging Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000
Loan category: Performing		ECL Staging Stage 2		
Loan category: Performing Performing with significant increase in credit risk	Ushs '000	ECL Staging Stage 2	Ushs '000 -	Ushs '000 26,209,173 7,614,990
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount	Ushs '000 26,209,173 - - 26,209,173	ECL Staging Stage 2 Ushs '000 - 7,614,990 - 7,614,990	Ushs '000 - 11,012,005 11,012,005	Ushs '000 26,209,173 7,614,990 11,012,005 44,836,168
Loan category: Performing Performing with significant increase in credit risk Non-performing	Ushs '000 26,209,173	Stage 2 Ushs '000	Ushs '000 - 11,012,005 11,012,005 (1,510,838)	Ushs '000 26,209,173 7,614,990 11,012,005 44,836,168 (2,449,319)
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance	Ushs '000 26,209,173 - 26,209,173 (697,754) 25,511,419 Stage 1	ECL Staging Stage 2 Ushs '000	Ushs '000	Ushs '000 26,209,173 7,614,990 11,012,005 44,836,168 (2,449,319) 42,386,849 Total
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance Carrying amount Special programs loans	Ushs '000 26,209,173 - 26,209,173 (697,754) 25,511,419	ECL Staging Stage 2 Ushs '000	Ushs '000 - 11,012,005 11,012,005 (1,510,838) 9,501,167	Ushs '000 26,209,173 7,614,990 11,012,005 44,836,168 (2,449,319) 42,386,849
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance Carrying amount Special programs loans Loan category: Performing Performing with significant increase in	Ushs '000 26,209,173 - 26,209,173 (697,754) 25,511,419 Stage 1	ECL Staging Stage 2 Ushs '000	Ushs '000	Ushs '000 26,209,173 7,614,990 11,012,005 44,836,168 (2,449,319) 42,386,849 Total Ushs '000 20,394,544
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance Carrying amount Special programs loans Loan category: Performing Performing with significant increase in credit risk	Ushs '000 26,209,173 - 26,209,173 (697,754) 25,511,419 Stage 1 Ushs '000	ECL Staging Stage 2 Ushs '000	Ushs '000 - 11,012,005 11,012,005 (1,510,838) 9,501,167 Stage 3 Ushs '000	Ushs '000 26,209,173 7,614,990 11,012,005 44,836,168 (2,449,319) 42,386,849 Total Ushs '000 20,394,544 6,336,842
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance Carrying amount Special programs loans Loan category: Performing Performing with significant increase in	Ushs '000 26,209,173 - 26,209,173 (697,754) 25,511,419 Stage 1 Ushs '000	ECL Staging Stage 2 Ushs '000	Ushs '000	Ushs '000 26,209,173 7,614,990 11,012,005 44,836,168 (2,449,319) 42,386,849 Total Ushs '000 20,394,544
Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount Loss allowance Carrying amount Special programs loans Loan category: Performing Performing with significant increase in credit risk Non-performing Gross carrying amount	Ushs '000 26,209,173 - 26,209,173 (697,754) 25,511,419 Stage 1 Ushs '000 20,394,544 - 20,394,544	ECL Staging Stage 2 Ushs '000	Ushs '000 - 11,012,005 11,012,005 (1,510,838) 9,501,167 Stage 3 Ushs '000 - 6,314,489 6,314,489	Ushs '000 26,209,173 7,614,990 11,012,005 44,836,168 (2,449,319) 42,386,849 Total Ushs '000 20,394,544 6,336,842 6,314,489 33,045,875

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Staff loans	Stage 1 Ushs '000	2024 ECL Staging Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000
Loan category: Performing Performing with significant increase in	20,417,355	-	-	20,417,355
credit risk Non-performing		96,366	- 781,280	96,366 <u>781,280</u>
Gross carrying amount Loss allowance	20,417,355 (291,984)	96,366 (2,412)	781,280 (150,885)	21,295,001 (445,281)
Carrying amount	<u>20,125,371</u>	<u>93,954</u>	<u>630,395</u>	20,849,720
Staff loans		2023 ECL Staging		
	Stage 1 Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000
Loan category: Performing Performing with significant increase in	18,936,413	-	-	18,936,413
credit risk Non-performing	-	-	- 587,032	- 587,032
Gross carrying amount Loss allowance	18,936,413 (184,024)		<u>587,032</u> (125,652)	19,523,445 (309,676)
Carrying amount	<u>18,752,389</u>	-	<u>461,380</u>	<u>19,213,769</u>
			2024	2023
Other financial instruments			Stage 1	Stage 1
Cook and sook annivelents (Note 10)			Ushs '000	Ushs '000
Cash and cash equivalents (Note 18) Other financial investments (Note 24)			15,216,544 3,533,797	19,728,086
Deposits held in banks (Note 19)			60,697,414	66,810,874
Gross carrying amount			79,447,755	86,538,960
Loss allowance			(68,885)	(82,031)
Carrying amount			<u>79,378,870</u>	86,456,929

All the other financial instruments above are under investment grade. Other financial investments were assessed for impairment and no material ECLs were assessed thus, no impairment has been charged against the investment

	2024	2023
Off balance sheet instruments:	Ushs '000	Ushs '000
Guarantees	67,677,491	74,247,992
Letters of credit	19,388,585	8,846,129
Other commitments to lend	<u>158,872,746</u>	188,957,788
Gross carrying amount	<u>245,938,822</u>	272,051,909
Loss allowance	<u>(5,100,302)</u>	(4,820,217)
Carrying amount	240.838.520	267.231.692

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

The movement in the loss allowance on off balance sheet instruments is disclosed below:

The movement in the loss and	wance on on be		i umento io uk	sciosed below.	
At year start Charge for the year Closing balance				2024 Ushs '000 4,820,217 280,085 5,100,302	2023 Ushs '000 10,791,232 (5,971,015) 4,820,217
Other commitments to lend	_	2024			
		s carrying amo			
	Stage 1 Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000	ECL Ushs '000
At 1 January	179,372,000	7,002,025	2,583,763	188,957,788	4,820,217
New exposures Payments and assets	75,072,448	5,812,164	24,000	80,908,612	3,056,498
derecognised	(28,425,917)	(5,230,019)	(2,253,073)	(35,909,009)	(1,107,397)
Transfers (out of)/into stage 1	(66,510,439)	-	<u>-</u>	(66,510,439)	(2,263,767)
Transfers (out of)/into stage 2	-	(8,493,739)	(00.407)	(8,493,739)	592,804
Transfers (out of)/into stage 3 Others	(27,094,938)	27,328,080	(80,467) (233,142)	(80,467)	1,947
At 31 December 2024	<u>132,413,154</u>	<u>26,418,511</u>	<u>41,081</u>	<u>158,872,746</u>	<u>5,100,302</u>
Other commitments to lend		2023			
		s carrying amou		Tatal	FOL
	Stage 1 Ushs '000	Stage 2 Ushs '000	Stage 3 Ushs '000	Total Ushs '000	ECL Ushs '000
At 1 January	181,983,306	21,603,195	1,317,879	204,904,382	10,791,232
New exposures Payments and assets	125,601,364	2,473,947	737,643	128,812,954	3,089,037
derecognised Transfers (out of)/into stage 1	(41,682,569) (84,469,959)	(10,793,555)	(1,317,879)	(53,794,003) (84,469,959)	(5,087,938) (3,238,265)
Transfers (out of)/into stage 2	-	(3,587,641)	-	(3,587,641)	(654,169)
Transfers (out of)/into stage 3	(0.000.444)	(0.000.000)	(2,907,943)	(2,907,943)	(79,680)
Others At 31 December 2023	(2,060,141) 179,372,001	(2,693,922) 7,002,024	4,754,063 2,583,763	<u>-</u> 188,957,788	4, <u>820,217</u>

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Total ECLs Ushs '000	47,118,145			1	665,124	(90,221) (1.143.539)	10,243,512	56,793,021	Total ECLs	Ushs '000 40,665,856	ı			- 080 089	(67,193)	20,085,963	61,374,905
Stage 3 Lifetime ECL Ushs '000	31,556,404		,	(12,428)	(512,478) 81,430	174,119 (1.143.539)	(2,448,812)	27,594,696	Stage 3 Lifetime ECL	Ushs '000 20,649,888	. 60		1,790,128			13,003,887	38,816,064
2024 Stage 2 Lifetime ECL Ushs '000	7,056,211	3,216,093	(303,120)	077	612,478 461,044		12,005,271	23,047,977	2023 Stage 2 Lifetime ECL	Ushs '000 8,813,699	436,374	(131,145)	(1,790,128)		(67,193)	2,641,133	9,902,740
Stage 1 12-Month ECL Ushs '000	8,505,530	(3,216,093)	303,120	12,428	122,650	(264,340)	687,053	<u>6,150,348</u>	Stage 1 12-Month ECL	Ushs '000 11,202,269	(436,374)	131,145		- C C C C C C C C C C C C C C C C C C C	000,000	4,440,942	15,824,352
Long term loans	Loss allowance as at 1 January Transfers:	Transfer from Stage 1 to Stage 2 Transfer from Stage 1 to Stage 3	Transfer from Stage 2 to Stage 1 Transfer from Stage 2 to Stage 3	100 101	ransier from Stage 3 to Stage Z Additional disbursements	Financial assets derecognised Write -offs	Other changes	Loss allowance as at 31 December	Long term loans	Loss allowance as at 1 January	Transfer from Stage 1 to Stage 2	Transfer from Stage 2 to Stage 1	Transfer from Stage 2 to Stage 3 Transfer from Stage 3 to Stage 1	Transfer from Stage 3 to Stage 2	Foundation of the second section of the secti	Other changes	Loss allowance as at 31 December

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

Total ECLs Ushs '000 25,965,467	520,601 (1,518,623) (5,643,780)	Total ECLs Ushs '000 13,017,660	4,569,481 (376,557)	4,754,880 25,965,466
Stage 3 Lifetime ECL Ushs '000 4,661,107	1,146,484 1,293,379 (126,672) (26,818) - - (1,518,623) 1,186,860 6,615,717	Stage 3 Lifetime ECL Ushs '000 2,805,692	5,880 - 751,339 (29,408) (71,700) 248,252 (360,861)	1,311,914 4,661,108
Stage 2 Lifetime ECL Ushs '000 7,383,119	3,073,864 (277,227) (1,293,379) 26,818 281,340 (56,067) - (691,106) 8,447,362	Stage 2 Lifetime ECL Ushs '000 2,514,616	2,707,978 (153,028) (751,339) 71,700 230,320 (7,947)	2,770.819 7,383,119
2024 Stage 1 12-Month ECL Ushs '000 13,921,241	(3,073,864) (1,146,484) 277,227 - 126,672 239,262 (24,723) - (6,139,535) 4,179,796	2023 Stage 1 12-Month ECL Ushs '000 7,697,352	(2,707,978) (5,880) (5,880) 153,028 - 29,408 - 4,090,909 (7,749)	4,672,149 13,921,239
a) Credit risk (Continued) Medium term loans Loss allowance as at 1 January	Transfer from Stage 1 to Stage 2 Transfer from Stage 1 to Stage 3 Transfer from Stage 2 to Stage 1 Transfer from Stage 2 to Stage 3 Transfer from Stage 2 to Stage 3 Transfer from Stage 3 to Stage 1 Transfer from Stage 3 to Stage 2 Additional disbursements Financial assets derecognised Write -offs Other changes Loss allowance as at 31 December	Medium term loans Loss allowance as at 1 January	Transfer from Stage 1 to Stage 2 Transfer from Stage 1 to Stage 3 Transfer from Stage 2 to Stage 1 Transfer from Stage 2 to Stage 1 Transfer from Stage 2 to Stage 3 Transfer from Stage 3 to Stage 1 Transfer from Stage 3 to Stage 2 Additional disbursements Financial assets derecognised	Wille-bils Other changes Loss allowance as at 31 December

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

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FINANCIAL RISK MANAGEMENT (Continued) 5.

Credit risk (Continued) a

	12-Month ECL USAS 1000	Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Total ECLs Ushs '000
Loss allowance as at 1 January Transfers:	4,120,056	•	1,122,845	5,242,901
Transfer from Stage 1 to Stage 2 Transfer from Stage 1 to Stage 3	3,884,702	(3,884,702)	1 1	
m Stage 2 to Stage 1 m Stage 2 to Stage 3				
Transfer from Stage 3 to Stage 1	1		•	•
Additional disbursements	521,336	457,702		620'626
Financial assets derecognised Write -offs	(197,705)		- (783 171)	(197,705)
Other changes Loss allowance as at 31 December	(8,236,303)	3,884,703 457.703	321,875 661,549	(4,029,725) (4,029,725) 1,211,338
		2023		
Trade finance loans	Stage 1 12-Month ECL Ushs '000	Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Total ECLs Ushs '000
Loss allowance as at 1 January Transfers:	459,716	2,901,520	1,227,513	4,588,749
Transfer from Stage 1 to Stage 2	ı			•
Transfer from Stage 1 to Stage 3	(1,845)		1,845	•
Transfer from Stage 2 to Stage 1	405,301	(405,301)		•
n Stage 2 to Stage 3		•		•
n Stage 3 to Stage 1				•
Transfer from Stage 3 to Stage 2	- 825 525 545 566			825 568
Financial assets derecognised	(453,263)	(13,530)	(144,374)	(611,167)
			1 3	1 1
Other changes oss allowance as at 31 December	2,884,581 4 120 056	(2,482,689)	37,861 1 122 845	439,754

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL RISK MANAGEMENT (Continued)

a)	Credit risk (Continued)		2024		
	Working capital loans	Stage 1 12-Month ECL Ushs '000	Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Total ECLs Ushs '000
	Loss allowance as at 1 January Transfers:	2,946,038	320,039	9,480,738	12,746,815
	Transfer from Stage 1 to Stage 2	(33,954)	33,954	•	•
	Transfer from Stage 1 to Stage 3	. 1			•
	Transfer from Stage 2 to Stage 1	8,646	(8,646)		•
	Transfer from Stage 2 to Stage 3	ı	(136,422)	136,422	•
	Transfer from Stage 3 to Stage 1	ı		1	•
	Transfer from Stage 3 to Stage 2		060'29	(060'29)	•
	Additional disbursements	376,110	55,172	380,329	811,611
	Financial assets derecognised	(239,364)		ı	(239,364)
	Write -offs	. 1		(2,180,975)	(2,180,975)
	Other changes	(1,845,311)	(161,804)	(2,169,386)	(4,176,502)
	Loss allowance as at 31 December	1,212,164	169,383	5,580,038	6,961,585
	Trade finance loans	Stage 1	2023 Stage 2	Stage 3	
		12-Month ECL	Lifetime ECL	Lifetime ECL	Total ECLs
	Loss allowance as at 1 January	USUS .000 980,925	3,984,415	5,481,358	Usns '000 10,446,698

2023 Stage 1 Stage 2 Stage 2 Month ECL Lifetime ECL Ushs '000 Ushs '000 Ushs '000 Ushs '000 Ushs '000
Stage Stage 12-Month ECL 12-Month ECL Ushs '000

3,938,380 (6,679)

(1,631,584) **12,746,815**

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024 FOR THE YEAR ENDED 31 DECEMBER 2024 FOR THE YEAR ENDED 31 DECEMBER 2024 Continued)

(1,012) (1,566) - (2,578) (191,387) - (41,552)
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UGANDA DEVELOPMENT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

a) Cre	Credit risk (Continued)		2024		
Staf	Staff loans	Stage 1 12-Month ECL Ushs '000	Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Total ECLs Ushs '000
Los	Loss allowance as at 1 January	184,024	'	125,652	309,676
	Transfer from Stage 1 to Stage 2 Transfer from Stage 1 to Stage 3 Transfer from Stage 2 to Stage 1	(14,253) -		14,253	1 1 1
7	Transfer from Stage 3 to Stage 1 Transfer from Stage 3 to Stage 2 Transfer from Stage 3 to Stage 2				
Fine Writ	Additional dispursements Financial assets derecognised Write -offs	(32,867)	2,4 2,1	22,340	(32,867)
Oth Los	Other changes Loss allowance as at 31 December	(57,910) 291,984	2,412	(11,366) 150,885	(69,276) 445,281
Staf	Staff Ioans	Stage 1 12-Month ECL Ushs '000	2023 Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Total ECLs Ushs '000
Los Trar	Loss allowance as at 1 January Transfers:	224,425	1	155,564	379,989
	Transfer from Stage 1 to Stage 2 Transfer from Stage 1 to Stage 3		•	1 1	
	Transfer from Stage 2 to Stage 1 Transfer from Stage 2 to Stage 3			1 1	
\(\frac{1}{2}\)	Transfer from Stage 3 to Stage 1 Transfer from Stage 3 to Stage 2	, , 60 , , 60			а Э
Fine	Financial assets derecognised Write-offs	(32,603)		(93,467)	(126,070)
Oth.	Other changes	(94,388)	'	63,554	(30,834)

FINANCIAL RISK MANAGEMENT (Continued) 5

Credit risk (Continued) **a**

The following table further explains changes in the gross carrying amounts of loans and advances within the various product segments to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

19,039,676 (30,288,417) (13,804,325) 54,641,598 **827,945,270 Ushs '000** 693,298,860 118,920,484 (67,847,923) 53,985,317 **798,356,738** Ushs '000 798,356,738 Total Total Ushs '000 113,102,004 (3,490,136) (13,804,325) 1,157,122 97,107,014 Stage 3 **Ushs '000** 97,777,568 3,574,825 256,222 (675,952) (1,411,006) 13,580,347 113,102,004 Stage 3 245,272 (246,436)Carrying amounts
Ushs '000
106,451,175 Stage 2
Carrying amounts
Ushs '000
108,744,210 1,411,006 9,905,971 (580,433) (5,264,123) (256,222) (5,783,799) **108,744,211** 246,436 2,377,205 (3,503,066) 112,381,027 **232,494,953** (1,321,144) (245,272) 2,860,636 2024 13,815,557 2023 Stage Ushs '000 576,510,524 16,518,958 (23,295,215) (2,860,636) (3,574,825) 5,264,123 (58,896,551) **498,343,303 Ushs '000** 489,070,117 109,014,513 (67,267,490) 46,188,769 **576,510,523** Stage 1 675,952 (13,815,557)Stage 1 1,321,144 Transfer from Stage 1 to Stage 2
Transfer from Stage 1 to Stage 3
Transfer from Stage 2 to Stage 1
Transfer from Stage 2 to Stage 1
Transfer from Stage 2 to Stage 3
Transfer from Stage 3 to Stage 1
Transfer from Stage 3 to Stage 2
Additional disbursements
Financial assets derecognised
Write-offs
Other changes
Carrying amount as at 31 December Transfer from Stage 1 to Stage 2
Transfer from Stage 1 to Stage 3
Transfer from Stage 2 to Stage 1
Transfer from Stage 2 to Stage 1
Transfer from Stage 2 to Stage 3
Transfer from Stage 3 to Stage 1
Transfer from Stage 3 to Stage 2
Additional disbursements
Financial assets derecognised
Write -offs
Other changes Carrying amount as at 31 December Carrying amount as at 1 January Transfers: Carrying amount as at 1 January Transfers: Long term loans Long term loans

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL RISK MANAGEMENT (Continued) 5

a)	Credit risk (Continued)		2024		
	Medium term loans	Stage 1	Stage 2	Stage 3	Total
	Carrying amount as at 1 January	Ushs '000 264,658,503	Ushs '000 81,511,714	Ushs '000 25,078,367	Ushs'000 371,248,584
	Transfer from Stage 1 to Stage 3 Transfer from Stage 1 to Stage 3 Transfer from Stage 1 to Stage 3	(5,893,140) (1,947,800)	5,893,140	1,947,800	1 1
	Transfer from Stage 2 to Stage 3 Transfer from Stage 3 to Stage 1	174,467	(245,272)	245,272 (174,467)	
	Transfer from Stage 3 to Stage 2 Additional disbursements Financial assets derecognised	- 64,482,407 (2,808,452)	37,269 3,768,564 (2,106,035)	(37,269) 1,352,466 (3,343,774)	69,603,437 (8,258,261)
	Other changes Carrying amount as at 31 December	105,475,839) 215,909,331	92,538,680 178,678,875	(2,526,076) 10,037,268 32,577,585	(2,528,078) (2,899,890) 427,165,791
	Medium term loans	Stage 1	2023 Stage 2 Carrying amounts	Stage 3	Total
	Carrying amount as at 1 January Transfers	Ushs '000 138,723,197	Ushs '000 54,955,115	Ushs '000 16,192,490	Ushs '000 209,870,802
	Transfer from Stage 1 to Stage 2 Transfer from Stage 1 to Stage 3 Transfer from Stage 2 to Stage 1 Transfer from Stage 2 to Stage 3	(1,301,795) (577,977) 240,838	1,301,795 - (240,838 (234,365)	- 577,977 - 234,365	1 1 1 1
	Transfer from Stage 3 to Stage 1 Transfer from Stage 3 to Stage 2 Additional disbursements Financial assets derecognised Other changes Carrying amount as at 31 December	400,082 - 136,680,391 (1,921,781) (7,584,452) 264,658,503	151,446 7,564,190 (368,505) 18,382,876 81,752,552	(400,082) (151,446) 1,004,018 (779,321) 8,400,364 25,078,365	- 145,248,600 (3,069,607) 19,198,788 371,489,420

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024 5. FINANCIAL RISK MANAGEMENT (Continued)

a)	Credit risk (Continued)		2024		
	Trade finance loans	Stage 1	Stage 2	Stage 3	Total
	Carrying amount as at 1 January	Ushs '000 104,535,138	Carrying amounts Ushs '000 30,875,902	Ushs '000 34,877,943	Ushs '000 170,288,983
	Transfers:	1			
	Transfer from Stage 1 to Stage 2	100,557	(100,557)		•
	I ransfer from Stage 1 to Stage 3				•
	Transfer from Stage 2 to Stage 1	•			•
	Transfer from Stage 2 to Stage 3	•	ı		•
	Transfer from Stage 3 to Stage 1	•	•		•
	I ransfer from Stage 3 to Stage 2	1 (1 (1
	Additional disbursements	101,467,132	8,374,519		109,841,651
	Financial assets derecognised	(77,540,819)	(30,875,902)	(1,399,235)	(109,815,956)
	Write -offs	•		(805,937)	(805,937)
	Other changes	(26,640,408)	25,920,428	(122,452)	(842,432)
	Carrying amount as at 31 December	101,921,600	34,194,390	32,550,319	168,666,309
			2023		
	Trade finance loans	Stage 1	Stage 2	Stage 3	Total
		Ushs '000	Ushs '000	Ushs '000	Ushs '000
	Carrying amount as at 1 January	130,210,088	19,883,396	29,269,777	179,363,261
	Transfer from Stage 1 to Stage 2	(244,167)	244,167	•	
	Transfer from Stage 1 to Stage 3	(435,463)		435,463	•
	Transfer from Stage 2 to Stage 1	(8,278,794)	8,278,794	•	•
	Transfer from Stage 2 to Stage 3	•		•	•
	Transfer from Stage 3 to Stage 1		•		•
	Transfer from Stage 3 to Stage 2				•
	Additional disbursements	92,623,983	24,469,509	125,549	117,219,041
	Financial assets derecognised	(109,819,098)	(1,918,278)	(2,204,557)	(113,941,933)
	Other changes Carrying amount as at 31 December	478,590 1 04,535,139	(20,081,686) 30,875,902	7,251,710 34,877,942	(12,351,386 <u>)</u> 1 70,288,983

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL RISK MANAGEMENT (Continued) a 5.

=	Credit risk (Continued)		2024		
	Working capital loans	Stage 1	Stage 2	Stage 3	Total
	Carrying amount as at 1 January	Ushs '000 131,291,287	Ushs '000 24,109,876	Ushs '000 55,642,865	Ushs '000 211,044,028
	Transfer from Stage 1 to Stage 2 Transfer from Stage 1 to Stage 3 Transfer from Stage 2 to Stage 1 Transfer from Stage 2 to Stage 3	545,839 (10,096) (1,424,901)	(545,839) - 1,424,901 (220,576)	10,096	1 1 1 1
	Transfer from Stage 3 to Stage 2 Additional disbursements Financial assets derecognised Write -offs	29,559,286 (38,397,815)	(1,037,287) 16,722,207 (2,132,192)	1,037,287 463,101 (3,366,988) (11,467,508)	- 46,744,594 (43,896,995) (11,467,508)
	Other changes Carrying amount as at 31 December	75,027,489	8,801,380 47,182,676	53,211,225	175,421,390
	Working capital loans	Stage 1 Ushs '000	2023 Stage 2 Carrying amounts Ushs '000	Stage 3 Ushs '000	Total Ushs '000
	Carrying amount as at 1 January Transfers:	139,873,059	27,929,568	25,472,323	193,274,950
	Transfer from Stage 1 to Stage 2 Transfer from Stage 1 to Stage 3 Transfer from Stage 2 to Stage 1 Transfer from Stage 2 to Stage 3	2,314,637 (174,130) (319,707)	(2,314,637) - 319,707 (1,619,036)	- 174,130 - 1,619,036	1 1 1 1
	Transfer from Stage 3 to Stage 1 Transfer from Stage 3 to Stage 2 Additional disbursements Financial assets derecognised Other changes	- 49,017,466 (40,946,870) (18,473,168)	12,177,536 (1,984,648) (10,413,516) 24,109,876	(14,902) 3,742,305 (1,535,761) 26,185,734 55,642,865	- 64,937,307 (44,467,279) (2,700,950) 211,044,028
		7241 241 21	* 1212211 =		X=X1: X1: :=

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

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5. FINANCIAL RISK MANAGEMENT (Continued)

a	Credit risk (Continued)		2024		
	Special programs	Stage 1	Stage 2 Carrying amounts	Stage 3	Total
	Carrying amount as at 1 January	Ushs '000 20,394,544	Ushs '000 6,336,842	Ushs '000 6,314,489	Ushs '000 33,045,875
	Transfers: Transfer from Stage 1 to Stage 2	63,744	(63,744)		ı
	Transfer from Stage 1 to Stage 3	(216,054)	- TOF 40F	216,054	ı
	Transfer from Stage 2 to Stage 3	(130, 120)	104,782	(104,782)	
	Transfer from Stage 3 to Stage 1	(179,222)	- (000 000)	179,222 -	ı
	I ansier nom stage 3 to stage z Additional disbursements	11.918.790	2.954.513	309.877	15.183.180
	Financial assets derecognised	(668,720)	(59,178	(57,587)	(785,485)
	Other changes Carrying amount as at 31 December	(4,908,783) 26.209.174	(1,335,982 <u>)</u> 7.614.988	3,637,36 <u>2</u> 11,012,005	(2,607,403) 44.836.167
			2023		
	Special programs	Stage 1	Stage 2 Carrying amounts	Stage 3	Total
		_	000, sysn	Ushs '000	000, sysn
	Carrying amount as at 1 January Transfers:	17,553,347	3,807,200	996,743	22,357,290
	Transfer from Stage 1 to Stage 2	203,429	(203,429)	1	•
	Transfer from Stage 1 to Stage 3	(132,174)	' 1	132,174	•
	Fransfer from Stage 2 to Stage 1	(76,135)	76,135	- (200)	•
	Transfer from Stage 3 to Stage 1		- 20,262	(202,262)	
	Transfer from Stage 3 to Stage 2	ı	•	·	1
	Additional disbursements	8,677,084	2,559,425		11,236,509
	Financial assets derecognised Other changes	(797,080)	(282,267)	5 478 229	(1,079,347)
	Carrying amount as at 31 December	20,394,543	900'960'9	6,314,489	32,805,038

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

a)

a	a) Credit risk (Continued)		2024		
	Staff loans	Stage 1	Stage 2	Stage 3	Total
	Carrying amount as at 1 January	Ushs '000 18,752,389	000 susu	Ushs '000 461,380	Ushs '000 19,213,769
	Transfer from Stage 1 to Stage 2	19,601	(19,601)		•
	Transfer from Stage 1 to Stage 3 Transfer from Stage 2 to Stage 1	(4,007)		4,007	1 1
	Transfer from Stage 2 to Stage 3 Transfer from Stage 3 to Stage 1				
	Transfer from Stage 3 to Stage 2	- 270 600	, 60	- 49 - 9 - 9	- 000 000 7
	Addıtlorlal disbursements Financial assets derecognised	4,373,383 (1,522,910)	2, 100	202,040	4,636,329 (1,522,910)
	Other changes Carrying amount as at 31 December	(1,209,375) 20,409,221	<u>113,866</u> <u>96,365</u>	61,322 789,415	(1,034,187) 21,295,001
	Staff loans	Stage 1	2023 Stage 2	Stage 3	Total
	Carrying amount as at 1 January	Ushs '000 15,366,382	Ushs '000	Ushs '000 416,648	Ushs '000 15,783,030

Carrying amount as at 31 December	20,409,221	<u> </u>	789,415
Staff loans	Stage 1	2023 Stage 2	Stage 3
Carrying amount as at 1 January	Ushs '000 15,366,382	Carrying amounts Ushs '000	Ushs '000 416,648
Transfer from Stage 1 to Stage 2 Transfer from Stage 1 to Stage 3	- 10,278	1 1	(10,278)
Transfer from Stage 2 to Stage 1 Transfer from Stage 2 to Stage 3		1 1	\ 1
Transfer from Stage 3 to Stage 1	1	•	1
I ransfer from Stage 3 to Stage 2 Additional disbursements	4,944,541		
Financial assets derecognised	(750,183)	ı	(97,445)
Other changes Carrying amount as at 31 December	(634,605) 18,936,413	' '	278,107 587,032

4,944,541 (847,628) (356,498) **19,523,445**

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

From a risk management point of view, once an asset is modified due to financial difficulties of the borrower, the bank's credit risk department continues to monitor the exposure until it exits forbearance, i.e., it is either cured or completely and ultimately derecognized.

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Bank.

2023 Ushs '000 247,082,343 9,725,914 2024 Ushs '000 133,017,636 15,568,210 Amortised cost of financial assets modified during the year Net modification loss

measurement The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL during the period:

;;;;				
	Post modification	fication	Pre-modification	fication
31 December 2024	Gross carrying amount	Corresponding ECL	Gross carrying amount	Corresponding ECL
	000, syn	000, shsU	000, syn	1000 ays
Facilities that have cured since modification and are now measured using				
12-months ECL	120,010,734	1,213,604	196,474,660	8,855,977
Facilities that reverted to lifetime ECL having once cured	13,006,903	1,278,783	50,607,683	10,792,094
31 December 2023				
Facilities that have cured since modification and are now measured using				
12-months ECL	196,474,660	8,855,977	28,495,180	310,330
Facilities that reverted to lifetime ECL having once cured	50,607,683	10,792,094	10,138,839	698,995

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Collateral security held and other enhancements.

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are landed property.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

A portion of the Bank's financial assets originated by the business units has sufficiently low 'loan to value' ratios, which results in no loss allowance being recognised in accordance with the Bank's expected credit loss model.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. The secured credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross Exposure	Impairment allowance	Carrying Amount	Fair Value of collateral held
	000, sysn	000, sysn	Oshs '000	000, sysn
Long term loans	827,945,270	48,570,485	779,374,785	2,444,978,409
Medium term loans	427,165,792	27,231,827	399,933,965	751,332,254
Trade finance loans	168,666,307	1,211,338	167,454,969	317,955,128
Working capital loans	175,421,389	7,145,789	168,275,600	655,544,332
Special programs	44,836,169	2,498,701	42,337,468	69,874,839
Total Credit Impaired Assets	1,644,034,927	86,658,140	1,557,376,787	4,239,684,962

Exposure to credit risk

The tables below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which it relates, and the net exposure to credit risk.

5. FINANCIAL RISK MANAGEMENT (Continued)

(Continued)

As at 31 December 2024			Fair	value of collater	Fair value of collateral and credit enhancements held	ancements held	
	Maximum	Cash	Real estate	Others	Total	Net exposure	Associated
	exposure to		properties		collateral		ECL
	credit risk						
	000, sysn	000, sysn	000, sysn	000, sysn	000, sysn	000, sysn)00, sysn
Short term deposits with financial							
institutions	15,209,124	15,209,124	•	•	15,209,124	•	11,710
Deposits held in banks	89,302,730	89,302,730	•	•	89,302,730	•	61,923
Other financial investments	3,533,797	•	•	•		3,533,797	
Loans and advances to customers	1,644,034,926	140,974,095	2,986,340,707	1,112,370,161	4,239,684,963	•	86,658,140
	1,752,080,577	245,485,949	2,986,340,707	1,112,370,161	4,344,196,817	3,533,797	86,731,773
As at 31 December 2023			Fair value of c	ollateral and cre	Fair value of collateral and credit enhancements held	ts held	
	Maximum		10,00				,
	exposure to credit risk	Cash	properties	Others	collateral	Net exposure	Associated
	000, sysn	000, sysn	000, sysn	000, sysn	000, sysn	000, sysn)00, sysn
Short term deposits with financial							
institutions	19,728,086	19,728,086	•	•	19,728,086	•	19,028
Deposits held in banks	66,810,874	66,810,874	•	•	66,810,874	•	63,000
Loans and advances to customers	1,583,984,207	143,031,160	2,972,072,098	965,286,300	4,080,389,558		106,806,663
	1,670,523,167	229,570,120	2,972,072,098	965,286,300	4,166,928,518		106,888,69

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UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included under Note 21(g) of the financial statements.

		2024		
	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Loans and advances at				
amortised cost	917,266,143	500,065,644	226,703,139	1,644,034,926
Loss allowance	(15,407,174)	(34,232,068)	(37,018,897)	(86,658,139)
Interest income on stage 3	-	-	(8,807,587)	(8,807,587)
Modification loss	<u>-</u>	-	<u>-</u>	<u>(16,120,655)</u>
Carrying amount	<u>901,858,969</u>	<u>465,833,576</u>	<u>180,876,655</u>	<u>1,532,448,545</u>
Staff loans and advances	20,417,355	96,366	781,281	21,295,001
Loss allowance	<u>(291,984)</u>	<u>(2,412)</u>	<u>(150,885)</u>	<u>(445,281)</u>
Carrying amount	<u>20,125,371</u>	<u>93,954</u>	<u>630,396</u>	<u>20,849,721</u>
		2023		
	Stage 1	Stage 2	Stage 3	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Loans and advances at amortised	954,401,227	265,400,907	364,182,073	
cost				1,583,984,207
Loss allowance	(20,951,070)	(31,726,039)	(54,129,554)	(106,806,663)
Interest income on stage 3	-	-	(6,525,317)	(6,525,317)
Modification loss	-			<u>(552,445)</u>
Carrying amount	<u>933,450,157</u>	<u>233,674,868</u>	<u>303,527,202</u>	<u>1,470,099,782</u>
Staff loans and advances	18,936,413	_	587,032	19,523,445
Loss allowance	(186,502)	_	(123,174)	(309,676)
Carrying amount	18,749,911		463,858	19,213,769
, ,				

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- The Bank uses the criteria for determining whether there has been a significant increase in credit risk:
- quantitative test based on the days past due; and
- qualitative indicators.

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by sector, by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined after considering the grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired;
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Incorporating forward looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank formulates three economic scenarios: base case scenario assigned a 50% probability of occurring, downside scenario assigned a 30% probability of occurring and optimistic scenario which is assigned a 20% probability of occurring. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. Different scenario weights can be set to reflect the Bank's view of the future.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are GDP and debt service ratio.

The economic scenarios used as at 31 December 2024 included the following key indicators for Uganda for four years up to 31 December 2028.

Scenario	2025	2026	2027	2028
Base	17.30%	17.30%	17.30%	17.30%
Upside	17.90%	17.90%	17.90%	18.00%
Downside	16.70%	16.70%	16.70%	16.70%
FLI overlay	108.10%	107.90%	107.90%	108.30%

b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The objective of Uganda Development Bank Limited's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the Bank's mission.

A principal part of the Bank's management of market risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling) and the sensitivity of future earnings and capital to varying foreign exchange rates. Uganda Development Bank aims, through its management of market risk, to mitigate the impact of prospective interest rate movements and foreign exchange fluctuations which could reduce future earnings and capital.

For simulation modelling, the Bank uses a combination of scenarios relevant to local businesses and local markets. These scenarios are used to illustrate the effect on Bank's earnings and capital.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Market risk (Continued)

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Bank is exposed to various risks associated with the effect of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. Management closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes. The interest rate risks sensitivity analysis is based on the following assumptions:

- Changes in the market interest rates affect the interest income or expenses on financial instruments with variable interest rates.
- Changes in market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognised at their fair value;
- The interest rate changes will have a significant effect on interest sensitive assets and liabilities and hence simulation modelling is applied to net interest margins.
- The interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged.
- The projections make other assumptions including that all positions run to maturity.
- The currency risk sensitivity analysis is based on the assumption that all net currency positions are highly
 effective.
- The base currency in which the Bank's business is transacted is Uganda Shillings.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks was undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'LIBOR reform').

The Secured Overnight Financing Rate (SOFR) took the place of LIBOR in June 2023, offering fewer opportunities for market manipulation and current rates rather than forward-looking rates and terms. SOFR is a benchmark interest rate for dollar-denominated derivatives and loans that replaced the London Interbank Offered Rate (LIBOR).

SOFR is based on transactions in the Treasury repurchase market and is preferable to LIBOR since it is based on data from observable transactions rather than estimated future borrowing rates.

The Bank had only three facilities that were linked to Libor and smoothly transitioned to SOFR for all the affected facilities. The computation of interest on the facilities during the rest of the year reflected SOFR as the benchmark rate.

The table below shows the amounts of unreformed financial liabilities as at 31 December 2024.

20242023Ushs'000Ushs'000Borrowings161,795,029219,022,182161.795,029219,022,182

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Market risk (Continued)

(i) Interest rate risk (Continued)

The table below sets out the impact on future net interest income of an incremental 10% parallel fall or rise in all yield curves at the beginning of each quarter during the 12 months from 1 January 2024. Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

	Change in rate	2024	2023
		Ushs'000	Ushs'000
Effect on profit before tax	+/-10%	147,084,103	132,696,337
Effect on equity		102,958,872	92,887,436

The Bank is exposed to various risks associated with the effects of fluctuations of the levels of prevailing market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table below are the Bank's interest-bearing assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Bank does not bear an interest rate risk on off statement of financial position items.

	Up to 1yr	1 to 3yrs	3 to 5yrs	Over 5yrs	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
31 December 2024					
Financial assets					
Deposits held with banks	89,302,730	-	-	-	89,302,730
Loans and advances	343,919,343	213,922,590	330,915,474	643,691,138	1,532,448,545
Staff loans and advances	<u>178,396</u>	<u>887,119</u>	<u>527,498</u>	9,291,766	10,884,779
Total financial assets	433,400,469	<u>214,809,709</u>	331,442,972	<u>652,982,904</u>	<u>1,632,636,054</u>
Financial liabilities					
Borrowings	35,404,489	60,574,616	44,827,129	20,988,795	161,795,029
Total financial liabilities	35,404,489	60,574,616	44,827,129	20,988,795	161,795,029
Interest rate gap	397,995,980	154.235.093	286,615,843	631,994,109	1.470.841.025
interest rate gap	001,000,000	10-1,200,000	200,010,040	001,004,100	1,410,041,020
	Up to 1yr Ushs'000	1 to 3yrs Ushs'000	3 to 5yrs Ushs'000	Over 5yrs Ushs'000	Total Ushs'000
31 December 2023		•			
31 December 2023 Financial assets		•			
· · - · · · · · · · · · · · · · · · · ·		•			
Financial assets	Ushs'000	•	Ushs'000		Ushs'000
Financial assets Deposits held with banks	Ushs'000 66,747,872	Ushs'000	Ushs'000	Ushs'000	Ushs'000 66,747,872
Financial assets Deposits held with banks Loans and advances	Ushs'000 66,747,872 303,086,559	Ushs'000 - 197,377,980	Ushs'000 - 264,499,883	Ushs'000 - 705,135,360	Ushs'000 66,747,872 1,470,099,782
Financial assets Deposits held with banks Loans and advances Staff loans and advances Total financial assets	Ushs'000 66,747,872 303,086,559 319,910	Ushs'000 - 197,377,980 808,444	Ushs'000 - 264,499,883 37,985	Ushs'000 - 705,135,360 <u>7,971,554</u>	Ushs'000 66,747,872 1,470,099,782 9,137,893
Financial assets Deposits held with banks Loans and advances Staff loans and advances Total financial assets Financial liabilities	06,747,872 303,086,559 319,910 370,154,341	Ushs'000 - 197,377,980 808,444 198,186,424	Ushs'000 - 264,499,883 37,985 264,537,868	Ushs'000 - 705,135,360 <u>7,971,554</u> <u>713,106,914</u>	Ushs'000 66,747,872 1,470,099,782 9,137,893 1,545,985,547
Financial assets Deposits held with banks Loans and advances Staff loans and advances Total financial assets	Ushs'000 66,747,872 303,086,559 319,910	Ushs'000 - 197,377,980 808,444	Ushs'000 - 264,499,883 37,985	Ushs'000 - 705,135,360 <u>7,971,554</u>	Ushs'000 66,747,872 1,470,099,782 9,137,893

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Market risk (Continued)

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's functional currency is the Uganda Shilling (Ushs) and funding, income and expenses are largely denominated in this currency. As a result, it is exposed to foreign exchange risks arising from various currencies primarily the US Dollar. Foreign exchange risk largely arises from recognised financial assets and certain liabilities. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies. Foreign exchange exposure is reviewed on a regular basis by management.

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign denominated balances as at 31 December 2024.

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

As at 31 December 2024

As at 31 December 2023

Currency	Change in rate	Effect on profit before tax Ushs'000	Effect on equity Ushs'000
USD	+/-10%	11,222,444	7,855,711
EUR	+/-10%	31	22
GBP	+/-10%	35	24

Currency	Change in rate	Effect on profit before tax Ushs'000	Effect on equity Ushs'000
USD	+/-10%	7,112,524	4,978,767
EUR	+/-10%	81	57
GRP	+/-10%	90	63

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Market risk (Continued)

(ii) Currency risk (Continued)

The Bank's currency position is as follows:

31 December 2024	US Dollars Ushs'000	Euro Ushs'000	GBP Ushs'000	Total Ushs'000
Assets Cash and cash equivalents Deposits held in banks Other assets Loans and advances Total assets	1,292,432 1,170,059 747,596 281,343,488 284,553,575	309 - - - - - 309	347 - - - - - 347	1,293,088 1,170,059 747,596 281,343,488 284,554,231
Liabilities Other liabilities Borrowings Total liabilities	10,534,110 161,795,029 172,329,139	=	- 	10,534,110 161,795,029 172,329,139
Currency exposure gap	<u>112,224,436</u>	<u>309</u>	<u>347</u>	<u>112,225,092</u>
31 December 2023	US Dollars Ushs'000	Euro Ushs'000	GBP Ushs'000	Total Ushs'000
Assets Cash and cash equivalents Deposits held in banks Other assets Loans and advances Total assets				
Assets Cash and cash equivalents Deposits held in banks Other assets Loans and advances	2,419,221 2,212,532 772,832 291,756,588	813 - -	903 - -	2,420,937 2,212,532 772,832 291,756,588

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Market risk (Continued)

(iii) Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks.

The Bank's equity shares are susceptible to market price risk arising from uncertainties about future values of the investment stock prices. The Bank manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Bank's senior management on a regular basis. The Bank's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to equity securities at fair value was Ushs 106 million. An increase and a decrease of 10% in the share prices could have the following impact on the statement of comprehensive income:

	Change	Effect on profit	
	Year-end share price	2024 Ushs'000	2023 Ushs'000
KENGEN	+10%	67	31
Uganda Clays Ltd	+10%	9,133	13,192
The New Vision Ltd	+10%	<u>1,418</u>	<u>1,418</u>
KENGEN	-10%	(67)	(31)
Uganda Clays Ltd	-10%	(9,133)	(13,192)
The New Vision Ltd	-10%	<u>(1,418)</u>	<u>(1,418)</u>
	Change	Effect on equity	,
	Change Year-end share price	Effect on equity 2024	2023
	_		
KENGEN	_	2024	2023
KENGEN Uganda Clays Ltd	Year-end share price	2024 Ushs'000	2023 Ushs'000
	Year-end share price +10%	2024 Ushs'000 67	2023 Ushs'000 31
Uganda Clays Ltd	Year-end share price +10% +10%	2024 Ushs'000 67 9,133	2023 Ushs'000 31 13,192
Uganda Clays Ltd The New Vision Ltd	Year-end share price +10% +10% +10%	2024 Ushs'000 67 9,133 	2023 Ushs'000 31 13,192

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms.

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. 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 financial institutions 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 maturity 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 and exchange rates. The Bank maintains adequate resources to meet its obligations.

Source of funding

The Bank maintains a diversified and stable funding base comprising from Development partners. The Bank also obtains periodic funding from the Government of Uganda.

Management of the liquidity risk

The Bank's approach of managing liquidity is to ensure that as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

In order to manage liquidity risk, the Bank invests its surplus reserves in time deposits with maturities concentrated in short term maturity of one to three months.

FINANCIAL RISK MANAGEMENT (CONTINUED) c) 5.

Liquidity risk (Continued)

	Up to 1 month Ushs '000	Jp to 1 month 1-3 months 3-6 m ns '000 Ushs '000 Ush	3-6 months Ushs '000	6- 12 months Ushs '000	1-3yrs Ushs '000	3-5yrs Ushs '000	Over 5yrs Ushs '000	Contractual cashflows Ushs '000	Carrying Amount Ushs'000
31 December 2024 Financial assets									
Cash and cash equivalents	15,209,124	•	•	•	•	•	•	15,209,124	15,209,124
Deposits held in banks	40,621,491	48,681,238	1	•	'	•	1	89,302,730	89,302,730
Loans and advances	•	2,541,653	18,081,527	18,081,527 181,704,143	135,281,248 253,465,513	253,465,513	1,446,895,639	2,037,969,723	1,532,448,545
Staff loans and advances*	•	18,333	•	60,530	1,095,508	134,493	32,667,120	33,975,984	20,849,720
Other financial investments	1	•	•	•	•	•	9,842,340	9,842,340	3,533,797
Other assets	85,814	'	2,962,284		1,971,579	'	17,260,505	22,280,182	24,763,871
Total financial assets	55,916,429	51,241,224	21,043,811	181,764,673	138,348,335	253,600,006	1,506,665,604	2,208,580,083	1,686,107,787
Financial liabilities									
Amounts due to Bank of									
Uganda	1,578,730	ı	1,387,723	1,387,723	3,385,356	914,862	914,865	9,569,258	9,569,258
Other liabilities	10,965,698	•	•	6,959,828	11,075,666	304,414	•	29,305,606	56,976,985
Borrowings	11,463,168	9,366,871	9,366,871 11,212,949	9,133,226	75,188,093	54,864,013	28,643,099	199,871,419	161,795,029
European Grant	'	1	1	•	'	'	4,287,146	4,287,146	4,287,146
UNCDF Fund	1		•	•	•	1	7,992,915	7,992,915	7,992,915
Total financial liabilities	24,007,596	9,366,871	12,600,672	17,480,777	89,649,114	56,083,289	41,838,026	251,026,345	240,621,333
Net liquidity gap	31,908,833	31,908,833 41,874,353	8,443,139	164,283,895	48,699,221	197,516,717	1,464,827,578	1,957,553,738	1,445,486,454

^{*} The carrying amount excludes the recognised discount on the staff loans.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued) છ

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Carrying	Amount	Ushs'000			19,709,058	66,747,872	1,470,099,782	9,137,893	24,660,930	1,590,355,535			8,708,347	46,572,699	219,022,182	8,568,264	7,585,139	290,456,631	1,299,898,904	
Contractual	cashflows	000, sysn			19,709,058	66,747,872	1,583,984,207	19,523,445	24,660,930	1,714,625,512			8,708,347	46,572,699	219,022,182	8,568,264	7,585,139	290,456,631	1,424,168,881	
	Over 5yrs	Ushs '000			•	•	751,153,742	18,289,813	1	769,443,555			•	13,615,177	7,640,000	8,568,264	7,585,139	37,408,580	732,034,975	
	3-5yrs	Ushs '000			•	•	293,182,184	38,019	•	293,220,203			•	3,112,487	24,016,879	•	'	27,129,366	266,090,837	
	1-3yrs	Ushs '000			•	•	206,365,481	867,463	1	207,232,944			5,550,887	6,124,018	140,523,978	•	'	152,198,883	55,034,061	
ZL -0	months	Ushs '000			1	1	41,235,353	225,750	24,660,930	66,122,033			1,578,730	5,303,655	19,100,000	1		25,982,385	40,139,648	
	3-6months	Ushs '000			•	•	70,350,081	39,561	•	70,389,642			1,578,730	554,864	9,550,000	1	1	11,683,594	58,706,048	
	1-3months	Ushs '000			•	50,000,000	52,245,839	26,767	•	102,272,606			•	1,360,157	8,641,325	1	1	10,001,482	92,271,124	
- op do	month	000, sysn			19,709,058	16,747,872	169,451,527	36,072	1	205,944,529				16,502,341	9,550,000	1		26,052,341	179,892,188	
			31 December 2023	Financial assets	Cash and cash equivalents	Deposits held in banks	Loans and advances	Staff loans and advances*	Other assets	Total financial assets	Financial liabilities	Amounts due to Bank of	Uganda	Other liabilities	Borrowings	European Grant	UNCDF Fund	Total financial liabilities	Net liquidity gap	

^{*} The carrying amount excludes the recognised discount on the staff loans.

6. USE OF ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2024 is set out below:

Recognition and measurement of provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of an amount can be made. The Bank's contingent liabilities have been disclosed in Note 41 of the financial statements.

Impairment of loans and advances

Assets accounted for at amortised cost are evaluated for impairment on the basis described in note 4 (d).

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments and;
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Useful life of property and equipment (Note 4(i))

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Revaluation of buildings (Note 4(i))

The freehold land and buildings categories of property and equipment are measured at revalued amounts. The fair value is determined based on the cost of equivalent properties obtained by summing up all the components of the building structure and other improvements.

Income tax (Note 4 d)

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

6. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Deferred tax (Note 4 (d))

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Valuation of the investment property and property and equipment

The Bank measures its investment property and property and equipment at fair value with the changes in the fair value recognised in profit or loss for investment property and other comprehensive income for property and equipment. These are valued with reference to market-based evidence, using comparable prices adjusted for specific market factors such as location, condition of the asset.

For the year ended 31 December 2023, the Bank engaged an independent valuation specialist to determine the fair value of its investment property. Land and Buildings have not been revalued during the year. The carrying amounts of investment property and property and equipment are disclosed in notes 22 and 23 to the financial statements.

During the year ended 31 December 2024, investment in buildings was reclassified to land and buildings, triggered by the change in use arising from the commencement of refurbishment of UDB towers for majorly the Bank's occupancy which accounts for 53.67% of the total floor area.

7. FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instruments.

Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

7. FAIR VALUE MEASUREMENT (CONTINUED)

The Bank's current valuation techniques include comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes.

Fair value hierarchy

31 December 2024	Date of valuation	Quoted prices in active markets (Level 1) Ushs '000	Significant observable inputs (Level 2) Ushs '000	Significant unobserva ble inputs (Level 3) Ushs '000
Assets measured at fair value				
Equity investments	31 Dec 2024	106,171	-	1,655,367
Freehold land	31 Dec 2024	-	-	8,177,000
Buildings	31 Dec 2024			50,067,012

31 December 2023	Date of valuation	Quoted prices in active markets (Level 1) Ushs '000	Significant observable inputs (Level 2) Ushs '000	Significant unobservab le inputs (Level 3) Ushs '000
Assets measured at fair value				
Equity investments	31 Dec 2023	146,406	-	1,655,367
Freehold land	31 Dec 2023			<u>7,558,000</u>

There were no transfers between level 1 and level 2 during 2024 or 2023.

The fair value of the financial assets and liabilities is included at the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Other fair value related disclosures for assets that are measured at fair value are in Notes 19, 22 and 23.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the equity investments are based on price quotations at the reporting date.
- The fair value of the investment property has been estimated using the depreciated replacement value of a similar storied building. The valuation requires management to make certain assumptions such as building costs in the country, the high values of prime land around the central business area in the city and the subsequent high rentals in the locality.
- The fair value of the Bank's leasehold land and buildings was estimated based on the replacement and depreciated replacement values of similar assets within the same locality.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

7. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value versus carrying amounts of financial assets and liabilities carried at amortised cost

The carrying amounts of financial assets and liabilities shown in the statement of financial position are analysed as follows.

	31 December 2024 Carrying amount Ushs '000	31 December 2023 Carrying amount Ushs '000
Financial assets		
Cash and cash equivalents	15,209,124	19,709,058
Deposits held in banks	89,302,730	66,747,872
Equity investments	1,761,538	1,801,773
Other financial investments	3,533,797	
Loans and advances	1,532,448,545	1,470,099,782
Staff loans and advances	10,884,779	9,137,893
Other assets	22,280,181	24,462,191
Total financial assets	1,675,420,694	1,591,958,569
	31 December 2024 Carrying amount Ushs '000	31 December 2023 Carrying amount Ushs '000
Financial liabilities	Carrying amount	Carrying amount
Financial liabilities Amounts due to Bank of Uganda	Carrying amount Ushs '000	Carrying amount Ushs '000
Amounts due to Bank of Uganda	Carrying amount Ushs '000 9,569,258	Carrying amount Ushs '000 8,708,347
Amounts due to Bank of Uganda Borrowings	Carrying amount Ushs '000 9,569,258 161,795,029	Carrying amount Ushs '000 8,708,347 219,022,182
Amounts due to Bank of Uganda	Carrying amount Ushs '000 9,569,258 161,795,029 4,287,146	8,708,347 219,022,182 8,568,264
Amounts due to Bank of Uganda Borrowings European Union	Carrying amount Ushs '000 9,569,258 161,795,029	Carrying amount Ushs '000 8,708,347 219,022,182

The fair values of financial instruments not measured at fair value were determined as follows:

- i. Loans and advances to customers and staff loans: The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.
- ii. Borrowings and Kuwait Special Fund (KSF): The interest rate charged on borrowings held by the Bank is based on Weighted Average Cost of Capital (WACC) which indicates the return the Bank's stakeholders expect to receive, or other bases for determining market interest rates. The interest rates are variable and in line with market rates for similar facilities. The fair values of such interestbearing borrowings not quoted in an active market are based on discounted cash flows using interest rates for similar facilities.
- iii. Amounts due to Bank of Uganda: The estimated fair value of amounts due to Bank of Uganda represent the discounted amount of estimated future cash flows expected to be repaid. Expected cash flows are discounted at current market rates to determine fair value.

7. FAIR VALUE MEASUREMENT (CONTINUED)

Maturity analysis of assets and liabilities

31 December 2024	Statement of financial position amount Ushs '000		(Non-Current) More than 12 months after the reporting period Ushs '000
Assets			20112
Cash and bank balances	15,209,124	15,209,124	-
Deposits held in banks	89,302,730	89,302,730	-
Customer loans and advances	1,532,448,545	343,919,343	1,188,529,202
Staff loans and advances	10,884,779	178,396	10,706,383
Other assets	24,763,870	8,950,096	15,813,774
Current income tax recoverable	3,343,524	3,343,524	-
Equity investments	1,761,538	1,761,538	-
Other financial investments	3,533,797	-	3,533,797
Investments in associate	4,811,424	-	4,811,424
Property and equipment	69,748,567	-	69,748,567
Right of use of assets	748,799	-	748,799
Intangible assets	530,661	-	530,661
Deferred income tax asset	<u>25,100,829</u>		<u>25,100,829</u>
Total assets	<u>1,782,188,187</u>	<u>461,009,384</u>	<u>1,321,178,804</u>
Liabilities			
Amounts due to Bank of Uganda	9,569,258	4,354,175	5,215,083
STI-OP Fund	28,952,632	28,952,632	-
Other liabilities	56,976,985	17,925,527	39,051,458
Lease liability	546,835	-	546,835
Borrowings	161,795,029	35,404,489	126,390,540
European Union	4,287,146	-	4,287,146
UNCDF Fund	<u>7,992,915</u>		<u>7,992,915</u>
Total liabilities	<u>270,120,800</u>	<u>86,636,823</u>	<u>183,483,977</u>

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

7. FAIR VALUE MEASUREMENT (Continued)

31 December 2023

Maturity analysis of assets and liabilities (Continued)

31 December 2023	financial position amount Ushs '000	No more than 12 months after the reporting period Ushs '000	More than 12 months after the reporting period Ushs '000
Assets	33.13	000	333
Cash and bank balances	19,709,058	19,709,058	-
Deposits held in banks	66,747,872	66,747,872	-
Customer loans and advances	1,470,099,782	333,282,800	1,136,816,982
Staff loans and advances	9,137,893	328,150	8,809,743
Other assets	27,762,404	16,135,759	11,626,645
Current income tax recoverable	1,748,063	1,748,063	-
Equity investments	1,801,773	1,801,773	-
Investments in associate	4,707,754	-	4,707,754
Property and equipment	49,374,013	-	49,374,013
Right of use of assets	579,393	-	579,393
Intangible assets	122,715	-	122,715
Deferred income tax asset	14,940,154		<u>14,940,154</u>
Total assets	<u>1,666,730,874</u>	<u>438,098,108</u>	<u>1,228,632,766</u>
Liabilities			
Amounts due to Bank of Uganda	8,708,347	3,157,460	5,550,887
Other liabilities	46,572,699	23,721,000	22,851,699
Lease liability	404,115		404,115
Borrowings	219,022,182	46,841,326	172,180,856
European Union	8,568,264	-	8,568,264
UNCDF Fund	<u>7,585,139</u>		<u>7,585,139</u>
Total liabilities	<u>290,860,746</u>	<u>73,719,786</u>	<u>217,140,960</u>
INTEREST INCOME			
		2024	2023
Interest income calculated using	ng the effective interest		
method		Ushs'000	Ushs'000
Interest income on customer loans a	nd advances	143,341,363	133,848,478
Interest on deposits held in banks		6,798,551	15,999,738
Interest on staff loans		<u>1,645,218</u>	1,388,181
Interest and similar income		<u>151,785,132</u>	<u>151,236,397</u>
interest and similar moonie			
Appraisal fees on loans		2,447,196	2,562,390
Penalty fee income on loans		<u>3,085,114</u>	2,426,170
		<u>5,532,310</u>	<u>4,988,560</u>
Total interest income		<u>157,317,442</u>	<u>156,224,957</u>

Statement of

(Current)

(Non-Current)

Included within interest income on loans and advances to customers is interest relating to credit-impaired financial assets of Ushs 8,808 million (2023: Ushs 6,525 million). The interest income reported above relates to financial instruments held at amortised cost only.

9. INTEREST AND SIMILAR EXPENSE

Interest expense calculated using the effective interest method.

	2024	2023
	Ushs'000	Ushs'000
Interest on borrowings	10,262,329	13,473,206
Interest expense on lease liabilities	<u>36,197</u>	6,067
Total interest expense	<u>10,298,526</u>	13,479,273

Included within interest on borrowings are amortised commitment fees charged on Arab Bank for Economic Development in Africa (BADEA), Islamic Development Bank (IDB), African Development Bank (AfDB), India Exim, Opec Fund for International Development and Islamic Corporation for Development lines of credit of Ushs 180 million (2023: Ushs 418 million).

10. NET FOREIGN EXCHANGE (LOSS)/GAIN

,	2024 Ushs'000	2023 Ushs'000
Net realized foreign exchange gains	542,898	1,591,698
Net unrealized foreign exchange losses	(3,842,780)	(429,827)
	(3,299,882)	<u>1,161,871</u>

The unrealised component of exchange losses arises from translation of foreign denominated transactions and revaluation of US Dollar denominated assets and liabilities to Uganda Shillings as at year end. Financial assets and liabilities denominated in foreign currencies are translated into Uganda Shillings using the rate ruling at the reporting date. The exchange rate for US Dollars to Uganda Shillings as at 31 December 2024 was 1 USD/Ushs 3,673 (2023: 1 USD/ Ushs 3,775).

11. OTHER INCOME

	2024 Ushs'000	2023 Ushs'000
Rental income	-	1,598
Agency fees	246,082	176,185
Trade finance revenues	51,746	204,022
Other income*	<u>375,054</u>	<u>478,688</u>
	<u>672,882</u>	<u>860,493</u>

^{*}Other income above includes dividends and loan restructure fees.

12. PERSONNEL EXPENSES

	2024 Ushs'000	2023 Ushs'000
Salaries	23,493,667	22,611,602
Service gratuity	842,425	880,693
NSSF contributions	2,180,882	1,904,307
Staff provident fund contributions	1,262,287	1,192,036
Staff welfare	<u>1,584,243</u>	1,122,456
	<u>29,363,504</u>	<u>27,711,094</u>

The total number of employees as at 31 December 2024 was 135 (2023: 126).

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

13.	DEPRECIATION AND AMORTIZATION	Mada	2004	2002
		Note	2024 Ushs'000	2023 Ushs'000
	Depreciation of property and equipment Amortization of intangible assets Amortization of right of use	26 28 27(a)	1,515,918 168,360 <u>69,752</u> <u>1,754,030</u>	1,095,822 106,390 9,820 1,212,032
14.	OTHER OPERATING EXPENSES			
			2024 Ushs'000	2023 Ushs'000
	Administration expenses* Utilities and maintenance costs Expense relating to short term leases Directors' emoluments Other professional fees** Business promotions and publicity Travel and subsistence Auditors' remuneration Business advisory expenses		4,311,025 3,893,286 - 607,512 2,363,027 2,117,878 2,121,584 163,659 459,597 16.037,568	3,817,109 2,670,055 1,544,517 481,982 1,681,616 2,616,462 2,237,166 159,772 97,198 15,305,877

^{*}Administration expenses include costs such as insurance, meetings expenses, staff training and development, communications, bank charges, security, and fuel costs.

15. PROFIT BEFORE TAX

Profit before tax is stated after debiting / (crediting):

	Note	2024 Ushs'000	2023 Ushs'000
Depreciation of property and equipment	13	1,515,918	1,095,822
Amortization of intangible assets	13	168,360	106,390
Amortization of right of use	13	69,752	9,820
Directors' emoluments	43	607,512	481,982
Auditors' remuneration	14	163,659	159,772
Net foreign exchange (loss)/gain	10	(3,299,882)	<u>1,161,871</u>

6. EARNINGS PER SHARE	2024 Ushs'000	2023 Ushs'000
Net profit attributable to ordinary equity holders of the Bank (Ushs) Weighted average number of ordinary shares in issue during the		49,804,282
year	878,359	<u>878,359</u>
Basic and diluted earnings per share (Ushs)	65.82	56.70

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The diluted earnings per share is the same as basic earnings per share as there were no potentially dilutive instruments outstanding at the end of the reporting period.

^{**}Other professional fees expenses comprise of due diligence costs for intending borrowers, security perfection fees legal and tax consultancy fees.

17. TAXATION

a) Income tax expense	2024 Ushs'000	2023 Ushs'000
Income tax: Current income tax expense Deferred income tax credit (Note 17(c))	25,536,220 (10,160,675) 15,375,545	28,405,706 (6,194,274) 22,211,432

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Effective tax rate	2024 Ushs'000	2023 Ushs'000
Profit before income tax Tax calculated at the statutory rate	30%	73,192,165 21,957,650	72,015,714 21,604,714
Tax effect of: Expenses not deductible for tax purposes (Over)/Under provision in prior year current tax	0.5% -1%	400,672 (878,798)	610,707 (3,989)
Capital gains on investment property derecognized	<u>-8%</u> 21.01%	(6,103,979) 15,375,545	<u> </u>

b) Current income tax recoverable

The movement in income tax recoverable is shown below:

	2024 Ushs'000	2023 Ushs'000
At 1 January	(1,748,063)	5,420,622
Charge for the year	25,536,220	28,405,706
Tax paid	(27,131,681)	(35,574,391)
At 31 December	(3,343,524)	(1,748,063)

c) Deferred tax asset

Deferred income tax is calculated in full, on all temporary differences under the liability method using a principal tax rate of 30% (2022: 30%). The movement in the deferred income tax liability is detailed below:

		2024 Ushs'000	2023 Ushs'000
At the start of the year Deferred tax credit to profit or loss At the end of the year		(14,940,154) (10,160,675) (25,100,829)	(8,745,880) (6,194,274) (14,940,154)
Year ended 31 December 2024	At 1 January	Charge/(credit) to	At 31 December
	2024	profit or loss	2024
	Ushs'000	Ushs'000	Ushs'000
Deferred income tax liabilities/(assets) Accelerated depreciation Provisions and unrealized losses Capital gains/revaluation Net deferred income tax asset	291,455	289,236	580,691
	(16,029,009)	(9,736,489)	(25,765,498)
	797,400	(713,422)	<u>83,978</u>
	(14,940,154)	(10,160,675)	(25,100,829)
Year ended 31 December 2023	At 1 January	Charge/(credit) to	At 31 December
	2023	profit or loss	2023
	Ushs'000	Ushs'000	Ushs'000
Deferred income tax liabilities/ (assets) Accelerated depreciation Provisions and unrealized losses Tax loss on rental income Capital gains/revaluations Net deferred income tax asset	262,777 (9,712,322) (93,735) <u>797,400</u> (8,745,880)	28,678 (6,316,687) 93,735 (6,194,274)	291,455 (16,029,009) - 797,400 (14,940,154)

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

B. CASH AND CASH EQUIVALENTS		
	2024	2023
	Ushs'000	Ushs'000
Short term deposits with financial institutions	15,220,834	19,728,086
ECL allowance	(11,710)	(19,028)
	<u>15,209,124</u>	<u>19,709,058</u>
MOVEMENT IN ECL ALLOWANCE		
	2024	2023
	Ushs'000	Ushs'000
At 1 January	19,028	59,105
Movement in ECL allowance	(7,318)	(40,077)
At 31 December	<u>11,710</u>	<u>19,028</u>
For the purposes of the statement of cash flows, cash and cash	h equivalents comprise o	f the following.
	2024	2023
	Ushs'000	Ushs'000
Short term deposits with financial institutions (Note 17)	15,209,124	19,709,058
Deposits held in banks (Note 19)	89,302,730	66,747,872
	<u>104,511,854</u>	<u>86,456,930</u>
DEPOSITS HELD IN BANKS		
	2024	2023
	Ushs'000	Ushs'000
	00 004 050	66 040 07/
Time deposits	89,364,653	00,010,074
Time deposits ECL allowance	89,364,653 <u>(61,923)</u>	66,810,874 <u>(63,002)</u>

The average effective interest rate was 11.8% for Uganda Shillings denominated investments (2023: 11.2%) and 3.4 % for USD denominated investments (2023: 3.9%).

The ECL allowance includes impairment assessed on the gross deposits held in banks, which consists of both principal and interest receivable.

The maturity analysis of the deposits held in banks is analysed as follows:

	2024 Ushs'000	2023 Ushs'000
Amounts due within three months	89,302,730 89,302,730	66,747,872 126,273,264
a) MOVEMENT IN ECL ALLOWANCE		
	2024 Ushs'000	2023 Ushs'000
At 1 January Movement in ECL allowance	63,002 (1,079) <u>61,923</u>	276,527 (213,525) 63,002

20. CUSTOMER LOANS AND ADVANCES

(a) Products

	2024 Ushs'000	2023 Ushs'000
Long term loans	827.830.990	798.267.248
Medium term loans	427,165,649	371,248,635
Trade finance loans	168,780,514	170,374,819
Working capital loans	175,421,388	211,045,839
Special programs	44,836,386	33,047,666
Gross advances	<u>1,644,034,927</u>	1,583,984,207
Less:		
Interest income on stage 3 loans	(8,807,587)	(6,525,317)
Modification losses	(16,120,655)	(552,445)
Expected credit loss allowance	(86,658,140)	(106,806,663)
	1,532,448,545	1,470,099,782

Included in the gross advances balance is interest receivable of Ushs 99,836 million (2023: 63,756 million) as summarized below:

	2024	2023
	Ushs'000	Ushs'000
Long term loans	64,761,786	62,273,510
Medium term loans	19,197,626	440,379
Trade finance loans	7,662,502	6,800,322
Working capital loans	14,958,024	5,442,949
Special programs	2,063,658	1,154,962
Total interest	<u>108,643,596</u>	70,260,769
Interest income on stage 3 loans	(8,807,587)	(6,525,317)
	99.836.009	63.735.452

(b) The maturity analysis of loans and advances to customers is as follows:

	2024	2023
	Ushs'000	Ushs'000
Less than one year	343,919,343	303,086,559
1- 5 years	544,838,064	461,877,863
Over 5 years	<u>643,691,138</u>	705,135,360
·	<u>1,532,448,545</u>	<u>1,470,099,782</u>

(c) Gross loans to customers by sector composition:

SECTOR	EXPOSURE			
	202	24	202	3
	Ushs'000	Percentage	Ushs'000	Percentage
Agro-Processing	384,973,440	25%	399,785,471	25%
Education Services	20,334,678	1%	20,521,262	1%
Health Care Services	144,989,823	7%	107,720,264	7%
Infrastructure	258,029,342	16%	249,691,435	16%
Manufacturing	411,237,773	23%	368,663,126	23%
Minerals, Oil & Gas	25,905,371	2%	26,449,947	2%
Primary Agriculture	226,116,728	15%	243,149,178	15%
Tourism & Hospitality	118,355,931	7%	112,005,910	7%
Others - Building, Construction				
and Real Estate	54,091,841	_ 4%	<u>55,997,614</u>	4%
Grand total	1,644,034,927	<u>100%</u>	1,583,984,207	<u>100%</u>

The weighted effective interest rate on loans at 31 December 2024 was 7.70% (2023: 7.60%) for USD and 11.29% (2023: 11.3%) for Ushs.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

20. LOANS AND ADVANCES (CONTINUED)

(d) Movement in provision for impaired loans and advances

,	2024 Ushs'000	2023 Ushs'000
At 1 January Additional provisions raised during the year Modification losses during the year Written off during the year At 31 December	107,359,108 8,456,326 15,568,210 (28,604,849) 102,778,795	72,778,280 25,071,552 9,725,913 (216,637) 107,359,108

The charge to profit or loss in respect of the impairment of financial assets during the year is analysed below:

(e) Credit loss expense on financial assets

	2024 Ushs'000	2023 Ushs'000
Loans and advances		
Increase in allowance*	8,456,326	25,071,552
Increase in allowance for staff loans (Note 21)	135,605	(70,312)
Recoveries on loans and advances previously written off	(427,414)	· -
Net modification loss (Note 5(a))	<u>15,568,210</u>	9,725,914
Net charge relating to loans and advances	23,732,727	34,727,154
Other financial assets		
Provisions on off balance sheet items	280,085	(5,971,014)
Deposits held in banks (Note 19)	(1,079)	(213,525)
Cash and cash equivalents (Note 18)	(7,319)	(40,077)
	271,687	(6,224,616)
Total charge to profit or loss	<u>24,004,414</u>	<u>28,502,538</u>

^{*} The decrease in the current year credit expense on loans advances was attributed to write offs of previously impaired loans and advances of Ushs 28,606 million in the current year (2023: Nil).

21. STAFF LOANS AND ADVANCES

(a) Staff loans and advances

	2024	2023
	Ushs'000	Ushs'000
Staff loans	21,295,001	19,523,445
Provision for impairment	(445,281)	(309,676)
Discount on staff loans marked to market*	(9,964,941)	(10,075,876)
	<u>10,884,779</u>	<u>9,137,893</u>

^{*} The discount on staff loans marked to market relates to fair value adjustment arising on fair valuation of staff loans that are offered at concessional (below market) interest rates.

Included in staff loans and advances balance is interest receivable of Ushs 110 million (2023: Ushs190 million) as summarized below:

	2024	2023
	Ushs'000	Ushs'000
Staff Loans receivables	<u>110,311</u>	<u> 189,668</u>

21. STAFF LOANS AND ADVANCES (CONTINUED)

(b) The maturity analysis of gross loans and advances to staff is as follows:

	2024	2023
	Ushs'000	Ushs'000
Within three months	12,496	26,381
Between three and six months	18,925	38,648
Over six months	<u>21,263,580</u>	<u>19,458,416</u>
	<u>21,295,001</u>	<u>19,523,445</u>

Staff loans and advances include staff advances, staff personal loans, staff car loans and staff housing loans. Staff advances and some staff personal loans are unsecured and guaranteed by future staff salaries.

(c) Movement in provision for impaired staff loans and advances

	2024	2023
	Ushs'000	Ushs'000
On 1 January	309,676	379,988
Increase/ reduction in provision	<u>135,605</u>	(70,312)
As at 31 December	<u>445,281</u>	309,676

22. OTHER ASSETS

OTHER ASSETS	2024 Ushs'000	2023 Ushs'000
Financial		
Convertible notes****	5,848,834	4,698,628
Other debtors**	6,466,405	9,687,687
Discount on staff loans marked to market	9,964,941	10,075,876
	22,280,180	24,462,191
Non-financial		
Prepayments	1,323,726	1,749,444
Security deposits*	198,739	198,739
Work in progress***	<u>961,225</u>	1,352,030
	2,483,690	3,300,213
	24,763,870	27,762,404

^{*}Security deposits include a deposit to registrar of the high court in respect to UDBL vs KAI Limited case amounting to Ushs 14 million. The amount is refundable on condition that UDBL wins the case against Afro Kai Ltd.

The movement in other assets in the statement of cashflows under operating activities excludes convertible notes. Convertible notes have been presented under investing activities in the statement of cashflows.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

23. EQUITY INVESTMENTS

	Listing status	Ordinary Shares	Original Cost Ushs'000	Fair value 2024 Ushs'000	Fair value 2023 Ushs'000
KENGEN	Listed	6,431	1,948	666	312
Uganda Clays Limited	Listed	10,147,335	538,036	91,326	131,915
The New Vision Limited	Listed	92,674	18,535	14,179	14,179
Chromatic Paints Limited	Unlisted	60	1,655,367	1,655,367	1,655,367
		10,246,500	2,213,886	1,761,538	1,801,773

Movement in number of shares

	Sector/Industry	At 1 January 2024		At 31 December 2024
		Opening	Purchases	Closing
		Balance	/(Sales)	Balance
KENGEN	Electric power	6,431	-	6,431
Uganda Clays Limited	Construction Publishing, Printing	10,147,335	-	10,147,335
The New Vision Limited Chromatic Paints	and Broadcasting Construction and	92,674	-	92,674
Limited	automative	60	-	60
		10,246,500		10,246,500
		At 1 January		At 31 December
		At 1 January 2023		At 31 December 2023
		•	Purchases	
		2023	Purchases /(Sales)	2023
KENGEN	Electric power	2023 Opening		2023 Closing
KENGEN Uganda Clays Limited	Electric power Construction	2023 Opening Balance		2023 Closing Balance
	•	2023 Opening Balance 6,431		2023 Closing Balance 6,431
Uganda Clays Limited	Construction	2023 Opening Balance 6,431		2023 Closing Balance 6,431
Uganda Clays Limited	Construction Publishing, Printing,	2023 Opening Balance 6,431 10,147,335		2023 Closing Balance 6,431 10,147,335

Movement in fair value of listed investments during the year ended 31 December 2024

	2024 % in	2023 % in	2024 %	2023 % held	Opening	Fair value	Closing
	class	class	held		Balance Ushs'000	gain/(loss) Ushs'000	Balance Ushs'000
KENGEN	0.6%	0.2%	0.1%	0.1%	312	354	666
Uganda Clays Limited	86.0%	90.1%	1.1%	1.1%	131,915	(40,589)	91,326
The New Vision Limited	13.4%	9.7%	0.1%	0.1%	<u>14,179</u>	<u> </u>	14,179
					<u>146,406</u>	<u>(40,235)</u>	<u>106,171</u>

Movement in fair value of listed investment during the year ended 31 December 2023

	2023% in class	2022 % in class	2023 % held	2022 % held	Opening Balance Ushs'000	Fair value Loss Ushs'000	Closing Balance Ushs'000
KENGEN	0.2%	0.4%	0.1%	0.1%	623	(311)	312
Uganda Clays Limited	90.1%	91%	1.1%	1.1%	152,210	(20,295)	131,915
The New Vision Limited	9.7%	26%	0.1%	0.1%	<u>14,366</u>	(187)	<u>14,179</u>
					<u>167,199</u>	(20,793)	<u>146,406</u>

^{**}Other debtors include investment interest receivable and Msingi guarantee interest receivable.

^{***}Work in progress includes leasehold improvements and software development.

^{****} The Bank invested in equity in convertible notes in Chromatic Paints Ltd, Ecoplastile Ltd, Brentec Investments Ltd and Tripesa Ltd. The fair value of other assets approximates the carrying amount.

23. EQUITY INVESTMENTS (Continued)

Price per share	2024 Ushs	2023 Ushs
Movement in price per share for listed investments	Closing	Closing
KENGEN Uganda Clays Limited The New Vision Limited	103.53 9.00 <u>153.00</u>	48.42 13.00 <u>153.00</u>

The listed equity investments are stated at fair value based on quoted market prices at the reporting date.

The movement in the unlisted equity investments is summarized below. There were no material changes in the investments fair value compared to prior period.

	2024	2023
	Ushs'000	Ushs'000
As at 1 January	1,655,367	598,786
Additions		<u>1,056,581</u>
As at 31 December	<u>1,655,367</u>	<u>1,655,367</u>

24. OTHER FINANCIAL INVESTMENTS

	Ushs '000	Ushs '000
At 1 January	-	-
Additions	<u>3,533,797</u>	
At 31 December	<u>3,533,797</u>	<u>—</u>

2024

2023

The table below shows the details of other financial investments as at 31 December 2024.

Name of company	Amount in Ushs	Structure	Principal activity
Pelere Group Ltd	797,225,000	2000 preference shares	Construction and equipping of
		each at Ugx 542,825.	shea nut processing factory
Bodawerk	2,736,571,296	1,000 preference shares	Motorcycle battery assembly
International Ltd		each at USD 3,000.	parts and equipment

25. INVESTMENT IN ASSOCIATE

Nature of the associate

Name of associate	Principal activity	Place of incorporation and principal place of business	Proportion of interest and wheld by the B	oting rights
			2024	2023
Brentec	The company is	a Plot 42A Mukabya		
Investments	biopharmaceutical compa	ny Road, Nakawa Industrial		
Limited	in Uganda that deliv	ers Area		
	biologics, and hea	lth		
	solutions.		25%	25%

	2024 Ushs '000	2023 Ushs '000
At 1 January	4,707,754	-
Additions during the year	103,670	4,707,754
At 31 December	<u>4,811,424</u>	4,707,754

As at 31 December 2024, the Bank had disbursed Ushs 4,811 million to acquire 25% shareholding in Brentec investments Limited. The factory financed had not yet commenced operations as of 31 December 2024.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

	At 1 January 2023 Reclassification from investment property 3 Additions Disposals At 31 December 2023	At 1 January 2024 Additions Transfers from Capital work in progress Revaluation gain/ loss At 31 December 2024	DEPRECIATION At 1 January 2023 Charge for the year Eliminated on disposal At 31 December 2023	At 1 January 2024 Charge for the year At 31 December 2024	NET CARRYING AMOUNT At 31 December 2024	At 31 December 2023 $\underline{\underline{Z}}$
Freehold Land Ushs'000	3,926,000 3,632,000 - - 7,558,000	7,558,000 - 619,000 8,177,000			8,177,000	7,558,000
Buildings Ushs'000	1,292,012	1,292,012 - 52,123,312 (2,902,314) 50,513,010	216,394 27,114 - 243,508	243,508 202,489 445,997	50,067,012	1,048,504
Furniture and fittings Ushs'000	1,246,188 - 229,350 - 1,475,538	1,475,538 689,179 2,376,435 - 4,541,152	574,796 123,252 698,048	698,048 209,486 907,534	3,633,618	777,490
Motor Vehicles Ushs'000	1,935,910 - 548,275 - 2,484,185	2,484,185 566,000 - - 3,050,185	1,123,931 254,306 - 1,378,237	1,378,237 332,327 1,710,564	1,339,621	1,105,948
Computers Ushs'000	3,429,711 - 537,988 (64,750) 3,902,949	3,902,949 352,709 - - 4,255,658	1,593,629 691,150 (64,750) 2,220,029	2,220,029 771,616 2,991,645	1,264,014	1,682,920
Capital Work in Progress Ushs'000	27,539,000 9,662,151 37,201,151	37,201,151 22,565,898 (54,499,747) - 5,267,302	' ' ' '	.	5,267,302	37,201,151
Total Ushs'000	11,829,821 31,171,000 10,977,674 (64,750) 53,913,835	53,913,835 24,173,786 - (2.283,314) 75,804,307	3,508,750 1,095,822 (64,750) 4,539,822	4,539,822 1,515,918 6,055,740	69,748,567	49,374,013

26. PROPERTY AND EQUIPMENT (CONTINUED)

In December 2023, investment in buildings was reclassified to property and equipment, triggered by the change in use arising from the commencement of refurbishment of UDB towers for majorly the Bank's occupancy which accounts for 53.67% of the total floor area. These were classified under capital work in progress and transferred to buildings when the bank occupied the premises on 01 November 2024.

The valuation of the Bank's Land and Buildings was based on the open market value of the assets as at 31 December 2024. The revaluation is carried out every after 3 years and was last done for the year ended 31 December 2024 by independent professional valuers that are not related to the Bank. The revaluation loss on the buildings was recognised in other comprehensive income and debited to asset revaluation reserve in equity and is not available for distribution to the shareholders.

The bank's buildings comprise of two properties located on plots 441 in Munyonyo and Plot 22 on Hannington road Kampala City.

Had the assets been carried under the cost model, the carrying amount of the freehold land would be Ushs 4.69 billion and that of the buildings, Ushs 52.63 billion. This is disclosed below.

31 December 2024	Freehold Land Shs'000	Buildings Shs'000
Cost Accumulated depreciation Net book amount	4,692,000 - 4,692,000	53,073,312 (447,114) 52,626,197
31 December 2023	Freehold Land Shs'000	Buildings Shs'000
Cost Accumulated depreciation Net book amount	1,270,000 - 1,270,000	950,000 (216,394) 733,606

27(a). RIGHT OF USE ASSETS

As at 31 December 2024, the bank had entered into three lease agreements. The leases have been accounted for in accordance with IFRS 16.

	2024 Ushs '000	2023 Ushs '000
Cost	20110 000	303
At the beginning of the year	589,213	-
Present value of the lease obligation	279,345	436,650
Initial direct costs	-	152,563
Remeasurement changes	<u>(40,187)</u>	
At 31 December	<u>828,371</u>	<u>589,213</u>
Amortisation		
At the beginning of the year	9,820	-
Charge for the year	<u>69,752</u>	<u>9,820</u>
At 31 December	<u>79,572</u>	<u>9,820</u>
Net carrying amount	<u>748,799</u>	<u>579,393</u>

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

27(b). LEASE LIABILITY

Set out below are the carrying amounts of lease liability and the movements during the period:

	2024	2023
	Ushs '000	Ushs '000
As at 1 January	404,115	-
Additions	279,345	436,650
Interest accretion	36,197	6,067
Principal payment	(81,878)	(33,985)
Interest paid	(50,757)	(4,617)
Remeasurement changes	<u>(40,187)</u>	<u>` -</u>
As at 31 December	<u>546,835</u>	<u>404,115</u>

The Bank leases office space for its branches for which rental contracts are typically made of fixed average periods of three to ten years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Bank's control.

The maturity analysis for lease liabilities is disclosed below:

	Maturity period	2024	2023
		Ushs '000	Ushs '000
	Due within 1 year	192,303	36,202
	Due within 1 to 5 years	<u>354,532</u>	<u>367,913</u>
	As at 31 December	<u>546,835</u>	<u>404,115</u>
28.	INTANGIBLE ASSETS		
	Cost	2024	2023
		Ushs'000	Ushs'000
	At 1 January	3,064,624	2,974,316
	Additions*	<u>576,306</u>	90,308
	At 31 December	<u>3,640,930</u>	<u>3,064,624</u>
	Amortization		
	At 1 January	2,941,909	2,835,519
	Charge for the year	<u> 168,360</u>	106,390
	At 31 December	<u>3,110,269</u>	<u>2,941,909</u>
	Net carrying amount		
	At 31 December	<u>530,661</u>	<u>122,715</u>

Intangible assets comprise the initial cost of the core banking system Rubikon and other software.

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^{*}The increase in additions for intangible assets is attributed to the purchase of Big data and analytics solution for housing transactional and analytical data amounting to Ushs 576 million.

29. AMOUNTS DUE TO BANK OF UGANDA

	2024 Ushs'000	2023 Ushs'000
At 1 January	8,708,347	9,519,197
Drawn down during the year	2,439,641	-
Repayments during the year	(1,578,730)	(810,850)
At 31 December	9,569,258	8,708,347

The Agriculture Credit Fund (ACF) is a scheme set up by Government of Uganda (GoU) for supporting agricultural expansion and modernisation in partnership with commercial banks and other qualifying financial institutions collectively referred to as Participating Financial Institutions (PFIs). The Government through Bank of Uganda, refinances, at no interest, 50% of the loan amount offered to qualifying agricultural projects.

30. STI-OP FUND

	2024 Ushs'000	2023 Ushs'000
Balance as at 1 January	-	-
Funds received during the year	32,725,951	-
Disbursements from the fund	<u>(3,773,319)</u>	<u>-</u>
Balance as at 31 December	<u>28,952,632</u>	

The Bank and the Science, Technology & Innovation Secretariat - Office of the President (STI-OP) entered into an agreement on 10 November 2023 where the Bank was appointed as a fund manager to receive, manage and disburse grant funds to the beneficiaries selected by STI-OP, strictly in accordance with the terms and conditions agreed between the Bank and STI-OP. The purpose of the fund is to foster science, research and innovation in Uganda. The expected outcome is to drive scientific and technological advancements, contribute to economic growth and foster social development in Uganda.

As at 31 December 2024, the bank had received Ushs 32,726 million from STI-OP (2023: Nil)

31. OTHER LIABILITIES

	2024	2023
	Ushs'000	Ushs'000
Accruals and other liabilities*	10,965,698	10,749,498
Deferred arrangement fees**	16,205,679	16,149,993
Expected credit loss provision on off balance sheet items	5,100,302	4,820,217
Legal provisions	2,939,664	2,982,282
Staff gratuity	455,660	373,486
Other creditors***	21,309,982	11,497,223
	<u>56,976,985</u>	46,572,699

^{*}The accrual and other liabilities balance includes trade creditors and accruals for the year ended 31 December 2024.

Staff gratuity

This represents outstanding/unpaid gratuity for employees on contract. The year-end accrual represents gratuity due to employees on contract at a rate of 25% (2023: 25%) of their total annual gross salary.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

31. OTHER LIABILITIES (CONTINUED)

Staff gratuity (Continued)

32.

Movement in Provisions during the year.

Staff gratuity 373,486 82,174 455,660 Leave provision 388,079 (90,571) 297,500 Total 761,565 (8,397) 753,165 753,165 753,165 753,165 7				31 December
Staff gratuity 1373,486 82,174 455,660 Leave provision 388,079 (90,571) 297,500 Total 761,565 (8,397) 753,161 BORROWINGS 2024 202:	Description	1 January 2024		2024
Leave provision Total 388.079 (90.571) 297.508 Total 761,565 (8.397) 753.168 (8.397) 753.168 (8.397) 753.168 (8.397) 753.168 (8.397) 753.168 (8.397) 753.168 (8.397) 753.168 (8.397) 753.168 (8.397) 753.168 (8.397) 753.168 (8.397) 753.168 (8.397) 753.168 (8.397) 761,565 (8.397) (Ushs'000	Ushs'000	Ushs'000
Total Tota	Staff gratuity	373,486	82,174	455,660
BORROWINGS 2024 2023 Ushs'000 Ushs	Leave provision	<u>388,079</u>	<u>(90,571)</u>	<u>297,508</u>
Arab Bank for Economic Development in Africa (BADEA Loan 0632) 10,938,232 11,961,398 Arab Bank for Economic Development in Africa (BADEA Private sector) 7,106,335 10,244,422 Islamic Development Bank (IDB) 1,837,962 3,208,498 African Development Bank (AfDB Public window) 31,802,988 39,940,213 African Development Bank (AfDB Private window) 5,645,636 9,670,698 India Exim Bank 6,643,333 9,588,060 Opec Fund for International Development 60,075,874 71,243,298 International Islamic Trade Finance Corporation 60,075,874 71,243,298 Arab Bank for Economic Development in Africa (BADEA Private sector,2023) 37,744,669 38,792,843 Arab Bank for Economic Development in Africa (BADEA Trade Finance,2023 19,022,182 219,022,182 219,022,182 213,014,323 The movements in borrowings were as follows: 2024 2023 Balance as at 1 January 219,022,182 213,014,323 Drawdowns during the year - 86,443,378 Interest expense for the year 10,262,329 13,479,273 Principal repayments (50,604,544) (77,153,7744 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,9988)	Total	<u>761,565</u>	<u>(8,397)</u>	<u>753,168</u>
Arab Bank for Economic Development in Africa (BADEA Loan 0632) 10,938,232 11,961,398 Arab Bank for Economic Development in Africa (BADEA Private sector) 7,106,335 10,244,422 Islamic Development Bank (IDB) 1,837,962 3,208,498 African Development Bank (AfDB Public window) 31,802,988 39,940,213 African Development Bank (AfDB Private window) 5,645,636 9,670,698 India Exim Bank 6,643,333 9,588,060 Opec Fund for International Development 60,075,874 71,243,298 International Islamic Trade Finance Corporation 60,075,874 71,243,298 Arab Bank for Economic Development in Africa (BADEA Private sector,2023) 37,744,669 38,792,843 Arab Bank for Economic Development in Africa (BADEA Trade Finance,2023 19,022,182 219,022,182 219,022,182 213,014,323 The movements in borrowings were as follows: 2024 2023 Balance as at 1 January 219,022,182 213,014,323 Drawdowns during the year - 86,443,378 Interest expense for the year 10,262,329 13,479,273 Principal repayments (50,604,544) (77,153,7744 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,9988)	BORROWINGS			
Arab Bank for Economic Development in Africa (BADEA Loan 0632) Arab Bank for Economic Development in Africa (BADEA Private sector) Islamic Development Bank (IDB) African Development Bank (AfDB Public window) African Development Bank (AfDB Public window) African Development Bank (AfDB Private window) India Exim Bank Opec Fund for International Development International Islamic Trade Finance Corporation Arab Bank for Economic Development in Africa (BADEA Private sector,2023) Arab Bank for Economic Development in Africa (BADEA Private sector,2023) The movements in borrowings were as follows: 2024 Ushs'000 Balance as at 1 January Drawdowns during the year Interest expense for the year Principal repayments Foreign exchange losses 10,938,232 11,961,398 10,244,422 32,08,496 33,994,021 66,643,333 9,588,066 9,670,699			2024	2023
Arab Bank for Economic Development in Africa (BADEA Private sector) Islamic Development Bank (IDB) African Development Bank (AfDB Public window) African Development Bank (AfDB Public window) African Development Bank (AfDB Private window) India Exim Bank Opec Fund for International Development International Islamic Trade Finance Corporation Arab Bank for Economic Development in Africa (BADEA Private sector, 2023) Arab Bank for Economic Development in Africa (BADEA Private sector, 2023) The movements in borrowings were as follows: 2024 Ushs'000 Balance as at 1 January Drawdowns during the year Interest expense for the year Principal repayments (50,604,544) Payment of interest Foreign exchange losses 10,244,42: 31,837,962 32,08,496 33,90,298 30,940,219 40,0075,874 60,075,874 60,075,874 71,243,299 41,243,299 19,034,919 219,03			Ushs'000	Ushs'000
Islamic Development Bank (IDB)	Arab Bank for Economic Development in Africa (I	BADEA Loan 0632)	10,938,232	11,961,398
Islamic Development Bank (IDB)	Arab Bank for Economic Development in Africa (B	ADEA Private sector)	7,106,335	10,244,422
African Development Bank (AfDB Private window) India Exim Bank Opec Fund for International Development International Islamic Trade Finance Corporation Arab Bank for Economic Development in Africa (BADEA Private sector,2023) Arab Bank for Economic Development in Africa (BADEA Trade Finance,2023) Arab Bank for Economic Development in Africa (BADEA Trade Finance,2023) The movements in borrowings were as follows: 2024 Ushs'000 Balance as at 1 January Drawdowns during the year Interest expense for the year Principal repayments Payment of interest Foreign exchange losses African Development in Africa (BADEA Trade		·	1,837,962	3,208,498
India Exim Bank	African Development Bank (AfDB Public window)		31,802,988	39,940,215
Opec Fund for International Development International Islamic Trade Finance Corporation 60,075,874 71,243,299 Arab Bank for Economic Development in Africa (BADEA Private sector,2023) 37,744,669 38,792,841 Arab Bank for Economic Development in Africa (BADEA Trade Finance,2023) 161,795,029 19,034,913 The movements in borrowings were as follows: 2024 2023 Ushs'000 Ushs'000 Ushs'000 Balance as at 1 January 219,022,182 213,014,322 Drawdowns during the year - 86,443,374 Interest expense for the year 10,262,329 13,479,273 Principal repayments (50,604,544) (77,153,774 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,998	African Development Bank (AfDB Private window	')	5,645,636	9,670,695
International Islamic Trade Finance Corporation	India Exim Bank		6,643,333	9,588,060
Arab Bank for Economic Development in Africa (BADEA Private sector,2023) Arab Bank for Economic Development in Africa (BADEA Trade Finance,2023 The movements in borrowings were as follows: 2024 Ushs'000 Balance as at 1 January Drawdowns during the year Interest expense for the year Principal repayments Payment of interest Poreign exchange losses Arab Bank for Economic Development in Africa (BADEA Trade 19,034,913) 161,795,029 19,034,913 219,022,183 219,022,183 213,014,32 213	Opec Fund for International Development		60,075,874	71,243,299
sector,2023) 37,744,669 38,792,84 Arab Bank for Economic Development in Africa (BADEA Trade Finance,2023) 19,034,913 The movements in borrowings were as follows: 2024 219,022,182 Balance as at 1 January 219,022,182 213,014,32 Drawdowns during the year - 86,443,373 Interest expense for the year 10,262,329 13,479,273 Principal repayments (50,604,544) (77,153,774 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,998			-	5,337,835
Arab Bank for Economic Development in Africa (BADEA Trade Finance,2023	Arab Bank for Economic Development in Afr	ica (BADEA Private		
Finance,2023			37,744,669	38,792,847
The movements in borrowings were as follows: 2024 2025 Ushs'000 Balance as at 1 January Drawdowns during the year Interest expense for the year Principal repayments Payment of interest Foreign exchange losses 219,022,182 213,014,322	Arab Bank for Economic Development in Af	rica (BADEA Trade		
The movements in borrowings were as follows: 2024 2024 Ushs'000 Ushs'000 Balance as at 1 January 219,022,182 213,014,32 Drawdowns during the year - 86,443,373 Interest expense for the year 10,262,329 13,479,273 Principal repayments (50,604,544) (77,153,774 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,998)	Finance,2023			<u>19,034,913</u>
Balance as at 1 January 219,022,182 213,014,322 Drawdowns during the year - 86,443,373 Interest expense for the year 10,262,329 13,479,273 Principal repayments (50,604,544) (77,153,774 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,998)			<u>161,795,029</u>	<u>219,022,182</u>
Balance as at 1 January 219,022,182 213,014,32 Drawdowns during the year - 86,443,373 Interest expense for the year 10,262,329 13,479,273 Principal repayments (50,604,544) (77,153,774 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,998)	The movements in borrowings were as follow	/s:		
Balance as at 1 January 219,022,182 213,014,32 Drawdowns during the year - 86,443,376 Interest expense for the year 10,262,329 13,479,273 Principal repayments (50,604,544) (77,153,774 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,998)				2023
Drawdowns during the year - 86,443,378 Interest expense for the year 10,262,329 13,479,272 Principal repayments (50,604,544) (77,153,774 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,998)				
Interest expense for the year 10,262,329 13,479,273 Principal repayments (50,604,544) (77,153,774 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,998			219,022,182	
Principal repayments (50,604,544) (77,153,774 Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,998			-	86,443,378
Payment of interest (10,542,709) (11,970,023 Foreign exchange losses (6,342,229) (4,790,998				13,479,272
Foreign exchange losses (6,342,229) (4,790,998				
			• • • •	
<u>161,795,029</u> <u>219,022,18</u> 2	Foreign exchange losses			
			<u>161,795,029</u>	<u>219,022,182</u>

i) BADEA Loan

This represents a US Dollars 4,500,000 loan from the Arab Bank for Economic Development in Africa (BADEA) to the Government of the Republic of Uganda. The entire proceeds of the loan were lent to the Bank per a loan agreement dated 18 December 2009, with the Government of Uganda as the Guarantor of the loan.

Interest is payable on the loan on the amount outstanding at a rate of 2.5% per annum. The loan is payable in 42 semi-annual instalments after a 4 year a grace period calculated from the first day of the month following the first draw down from the loan account. The loan is unsecured.

As at 31 December 2024, USD 4,336,535 (2023: USD 4,336,535) had been disbursed from the loan account.

ii) BADEA Loan Private sector

This represents a US Dollars 6,000,000 loan from the Arab Bank for Economic Development in Africa (BADEA) to Uganda Development Bank with Government of the Republic of Uganda being the guarantor under the terms and conditions specified in the Guarantee Agreement concluded between BADEA and Republic of Uganda dated 13 February 2017. The loan is to be used solely for financing expenditures and permanent working capital of UDBL's eligible clients in the Republic of Uganda. The loan is repayable in 16 semi-annual instalments after a 2 year grace period. The loan is unsecured.

31 December

^{**}Deferred arrangement fees represent fees received in relation to appraisal of projects. The bank charges intending borrowers project appraisal fees at the point of application to facilitate the bank's credit evaluation process. The deferred arrangement fees therefore represent appraisal fees charged on clients for which the appraisal process hasn't been completed.

^{***}The other creditors balance includes loan payment account, client deposits pending, other taxes payable for the year ended 31 December 2024.

32. BORROWINGS (CONTINUED)

ii) BADEA Loan Private sector (Continued)

Interest is payable on the interest payment date, to BADEA on the amount disbursed and outstanding from time to time during each interest period, at a rate of 6 months SOFR plus a credit adjustment spread, plus 425 basis points. The average rate in the year is 5.13%.

As at 31 December 2024, the entire loan amount had been disbursed from the loan account.

iii) Islamic Development Bank (IDB)

This represents an asset line of financing equivalent US Dollars 10,000,000 loan from the Islamic Development Bank to Uganda Development Bank Limited with Government of the Republic of Uganda being the guarantor under the terms and conditions specified in the Guarantee Agreement concluded between Islamic Development Bank and Republic of Uganda dated 18 May 2017.

For each transaction, the sale price shall be determined on the basis of the capital cost plus a mark-up of the US dollar swap rate prevailing at the time corresponding to the capital amortization period plus 135 basis points (One Hundred Thirty-Five basis points) per annum. The average US dollar swap rate is 2.33%.

The sale price shall be paid to the Bank within a period of up to eight (8) years including a gestation period not exceeding two (2) years calculated from the date of first disbursement for that transaction. The loan is secured.

The Bank had utilized USD 2,900,000 by 31 December 2024 (2023: USD 2,900,000).

iv) African Development Bank (AfDB Public window) USD 15M Line of Credit

This represents a US dollar 15,000,000 line of Credit from African Development Bank extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance. The agreement for the line of Credit was signed on 22 May 2022.

The line of credit is divided into fixed and floating components of USD 7,430,095 and USD 7,569,905, respectively. Interest on both components is payable on each interest payment date, based on the amount disbursed and outstanding during the relevant interest period.

The interest rate on the floating component is determined as the 6-month SOFR plus a credit adjustment spread, plus 80 basis points, with an average rate of 5.20% for the year. The fixed component carries a fixed interest rate of 2.13%.

iv) African Development Bank (AfDB Public window) USD 15M Line of Credit (Continued)

UDBL is required to repay the Line of Credit in full over a period of eight (8) years after the expiration of the two-year grace period by means of sixteen (16) equal and consecutive semi-annual instalments payable on each Payment Date. The first of such instalments are payable on the first payment date which immediately follows the expiration of the grace period. It should be noted that UDBL cannot reborrow from AfDB amounts repaid under the loan agreement.

As at 31 December 2024, the entire amount had been drawn down from the account.

v) African Development Bank (AfDB Private window) USD 5M Line of Credit

This represents a US dollars 5,000,000 line of Credit from African Development Bank extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance. The agreement for the line of Credit was signed on 7June 2022.

Interest is payable on the amount disbursed and outstanding from time to time during each interest

32. BORROWINGS (CONTINUED)

African Development Bank (AfDB Private window) USD 5M Line of Credit (Continued)

UDBL is required to repay the Line of Credit in full over a period of eight (8) years after the expiration of the two-year grace period by means of sixteen (16) equal and consecutive semi-annual instalments payable on each payment date. The first of such instalments are payable on the first payment date which immediately follows the expiration of the grace period.

It should be noted that UDBL cannot re-borrow from AfDB amounts repaid under the loan agreement. The loan is secured.

As at 31 December 2024, the entire amount had been drawn down from the account.

vi) India Exim USD 5M Line of Credit

This represents a USD 5 million line of Credit from Exim Bank to finance import of goods and services from India from time to time. As per Agreement between UDBL and EXIM, signed on 08 October 2018, the Ministry of Finance, Government of Republic of Uganda fully guaranteed the line of Credit.

Interest is payable on the interest payment date, on the amount disbursed and outstanding from time to time during each interest period, at a rate of 6 months SOFR plus a credit adjustment spread, plus 300 basis points. The average rate in the year is 4.90%.

As at 31 December 2024, the entire amount had been drawn down from the account.

vii) International Islamic Trade Finance Corporation (ITFC) USD 10M Trade Finance Line of Credit

This represents a US dollar 10,000,000 Trade Finance line of Credit from the International Islamic Trade Finance Corporation extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance, Planning, and Economic Development. The agreement for the line of Credit was signed on 27 April 2024.

Interest is payable on the amount disbursed and outstanding from time to time during each interest period, at a fixed rate of 4.9%. The revolving facility is available for 12 months with interest repayments on a quarterly basis. It should be noted that UDBL can re-borrow from ITFC amounts repaid under the loan agreement during the availability period. The loan is secured by sovereign guarantee.

As of 31 December 2024, the entire amount had been drawn down from the account and fully paid.

viii) The OPEC Fund for International Development (OFID) USD 20M Line of Credit

This represents a US dollar 20,000,000 line of Credit from the OPEC Fund for International Development extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance, Planning, and Economic Development. The agreement for the line of Credit was signed on 18 November 2022.

Interest is payable on the amount disbursed and outstanding from time to time during each interest period, at a fixed rate of 5.0%.

UDBL is required to repay the Line of Credit in full over a period of eight (8) years after the expiration of the two-year grace period. Repayment shall commence immediately following the end of the grace period and shall be effected in sixteen (16) semi-annual instalments. It should be noted that UDBL cannot re-borrow from OFID amounts repaid under the loan agreement. The loan is secured by a sovereign guarantee.

As of 31 December 2024, the entire amount had been drawn down from the account.

32. BORROWINGS (CONTINUED)

Arab Bank for Economic Development in Africa (BADEA) USD 10M Trade Finance Line of Credit

This represents a US dollar 10,000,000 Trade Finance line of Credit from the Arab Bank for Economic Development in Africa extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance, Planning, and Economic Development. The agreement for the line of Credit was signed on 05th October 2022. To note, this is the second Trade Finance Facility extended to the Bank by BADEA

Interest is payable on the amount disbursed and outstanding from time to time during each interest period, at a fixed rate of 5.0%. The facility is available for 12 months with interest repayments on a quarterly basis. It should be noted that UDBL cannot re-borrow from BADEA amounts repaid under the loan agreement during the availability period. The loan is secured by sovereign guarantee.

As of 31 December 2024, the entire amount had been drawn down from the account and fully paid.

Arab Bank for Economic Development in Africa (BADEA) USD 10M Private Sector Line of Credit

This represents a US dollar 10,000,000 line of Credit from BADEA extended to Uganda Development Bank and fully guaranteed by the Republic of Uganda, represented by the Ministry of Finance, Planning, and Economic Development. The agreement for the line of Credit was signed on 05th October 2022.

Interest is payable on the amount disbursed and outstanding from time to time during each interest period, at a fixed rate of 6.5%.

UDBL is required to repay the Line of Credit in full over a period of seven (7) years after the expiration of the two-year grace period. Repayment shall commence immediately following the end of the Grace Period and shall be affected in ten (10) semi-annual instalments. It should be noted that UDBL cannot re-borrow from BADEA amounts repaid under the loan agreement. The loan is secured by a sovereign guarantee.

As of 31 December 2024, the entire amount had been drawn down from the account.

Below is a table showing the total commitment per loan versus amount drawn down to date;

Loan	Total commitment	Amount drawn
	(USD)	down (USD)
BADEA Loan 632	4,500,000	4,336,525
BADEA Loan Private sector (Line of credit 1)	6,000,000	6,000,000
Islamic Development Bank	10,000,000	2,900,000
African Development Bank	15,000,000	15,000,000
African Development Bank (AfDB private window)	5,000,000	5,000,000
India Exim	5,000,000	5,000,000
OPEC Fund for International Development	20,000,000	20,000,000
International Islamic Trade Finance Corporation	10,000,000	10,000,000
BADEA Loan Trade Finance (Line of credit 2)	10,000,000	10,000,000
BADEA Loan Private sector (Line of credit 2)	10,000,000	10,000,000

The fair values of the borrowings above approximate the carrying amounts.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

33. EUROPEAN UNION GRANT

	2024	2023
	Ushs'000	Ushs'000
Balance as at 1 January	8,568,264	2,639,887
Drawn down during the year	-	9,382,837
Disbursements from grant	(2,819,136)	(2,724,853)
Expenses relating to the grant	<u>(1,461,982)</u>	(729,607)
Balance as at 31 December	<u>4,287,146</u>	<u>8,568,264</u>

Uganda Development Bank Limited (UDBL) in partnership with European Union (EU) allocated funds in form of a grant attached to a loan (also known as 'facility') to enable the sector soar through the hardship of COVID-19. The facility was intended to stimulate businesses operating in the tourism sector, which was been heavily impacted by COVID-19 by providing a grant and soft loan with flexible terms aligned to the sector needs. A total approximate pool of Ushs 61.8 billion (Ushs 40 billion contribution by Uganda Development Bank and Ushs 21.8 billion through the EU Grant) was set aside for this intervention.

The facility will have the following components and additional benefits:

- A non-repayable grant attached to the loan based on the number of staff maintained in the company during the two years' period that will benefit from this intervention in comparison with the number of staff in the company before COVID-19 pandemic (28 February 2024).
- ii) Concessional loan interest rates not exceeding 12%; however, the effective cost of the facility to the borrower shall not exceed 8%.
- iii) Extended working capital loan tenor of up to 5 years inclusive of a 2 years' grace period.

The beneficiaries of the grant include bbusiness entities under Uganda Hotel Owners Association (UHOA) and Association of Uganda Tour Operators (AUTO).

The grant shall be accounted for as a liability in accordance with IAS 20.

As at 31 December 2024, EUR 3,939,928 equivalent to Ushs 16.51 billion (2023: EUR 3,939,928) had been received from European Union.

34. UNCDF FUND (UN CAPITAL DEVELOPMENT FUND)

	2027	2023
	Ushs'000	Ushs'000
Balance as at 1 January	7,585,139	5,730,332
Drawn down during the year	-	1,542,137
Agency costs	(246,082)	(324,340)
Interest on loans disbursed out of the fund	653,858	637,010
Balance as at 31 December	<u>7,992,915</u>	<u>7,585,139</u>

2024

2023

UDBL signed a Memorandum of Understanding with UNCDF which defines the conditions for the establishment, financing and management of disbursements to UDBL for the Support to Agricultural Revitalization and Transformation (START) facility through concessional loans, including, inter alia, conditions pertaining to financial control, reporting and auditing arrangements. The maximum contribution of UNCDF to START concessional loan is up to EUR 2,000,000 (Two million Euros) for a period of four years. The annual drawdowns are EUR 500,000 (Five hundred thousand Euros) per year based on the successful projects financed.

The beneficiaries of loans from the line of credit should be small and medium enterprises (SMEs) i.e. enterprises that employ between 5 to 100 employees with total assets between Ush 10 million but not exceeding 360 million. Loans from the line of credit to beneficiaries must not exceed EUR 100,000.

As per MOU, UDBL may charge 1 % p.a. as agency fees on the outstanding loan book in addition to 3.8% p.a. as administrative fees on the outstanding loan book. The fees are computed and charged monthly. The facilities from the line of credit are charged interest at a minimum rate of 10% p.a. and a maximum of 12% p.a.

34. UNCDF FUND (UN CAPITAL DEVELOPMENT FUND) (CONTINUED)

UDBL is then required to capitalise amounts of interest over and above the agency and administrative fees.

As at 31 December 2024, Ushs 6,179,489,420 had been disbursed from the fund (2023: Ushs 6,179,489,420)

The fair value of the UNCDF fund approximates the carrying amount.

35. SHARE CAPITAL

	2024 Ushs'000	2023 Ushs'000
Authorized: At 1 January At 31 December	2,000,000,000 2,000,000,000	2,000,000,000 2,000,000,000
Issued and fully paid up: At 1 January At 31 December	878,359,004 878,359,004	878,359,004 878,359,004

The Bank's authorised share capital is Ushs 2 trillion (2023: Ushs 2 trillion) divided into 2 billion shares of Ushs 1,000 each. As at 31 December 2024, the Bank had issued 878 million shares (2023: 878 million). All issued shares are fully paid up.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and other general meetings of the company.

36. GOVERNMENT OF UGANDA CAPITAL CONTRIBUTIONS

		2024 Ushs'000	2023 Ushs'000
	At 1 January	248,049,781	150,736,195
	Contributions during the year	80,663,953	97,313,586
	At 31 December	<u>328,713,734</u>	248,049,781
37.	KUWAIT SPECIAL FUND		
		2024 Ushs'000	2023 Ushs'000
	Equity	USIIS 000	USIIS UUU
	Balance as at 1 January	35,349,112	31,222,552
		· · ·	, ,
	Capitalization of interest income from Kuwait fund facilities Balance as at 31 December	<u>1,365,947</u> 36,715,059	<u>4,126,560</u> 35,349,112

This represented a grant of US Dollars 7 million from Kuwait to the Government of Uganda that was used in the creation of a Trust Fund in Uganda Development Bank Limited ("the Bank"). The Bank was required to establish in its books a special account to which the grant as well as income accruing as a result of the investment and utilisation of the grant was to be credited.

The purpose of the fund was to finance farming and lending to small and micro business activities for the production of food and provision of related support services, including, without being limited to, food processing, storage and marketing. For the period to 13 October 2022, the Bank treated the grant as a liability as it represented funds managed in trust on behalf of the Government of Uganda.

Effective 14 October 2022, Kuwait approved the transfer of the Kuwait Special Fund account from the Bank's liabilities to equity as the amounts are not payable/refundable.

The weighted effective interest rate on loans disbursed as at 31 December 2024 was 10% (2023: 10%). The fair value of the Kuwait special fund approximates the carrying amount.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

38. ASSET REVALUATION RESERVE

	2024	2023
	Ushs '000	Ushs '000
As 1 January	2,563,242	2,563,242
Loss on revaluation	<u>(2,283,314)</u>	<u>-</u> _
As at 31 December	<u>279,928</u>	<u>2,563,242</u>

A revaluation of the freehold land and Buildings asset categories is performed every after 3 years. The last revaluation was done for the year ended 31 December 2024. The revaluation was carried out by a professional valuer by the names of Reitis Valuers and Surveyors (Chartered Surveyors), independent professional valuers that are not related to the Bank.

The freehold land and buildings were revalued on the basis of depreciated replacement cost reflecting prevailing market conditions at the time of valuation.

39. RETAINED EARNINGS

	2024	2023
	Ushs '000	Ushs '000
At 1 January	211,548,989	165,871,267
Interest income on facilities under the Kuwait Fund	(1,365,947)	(4,126,560)
Total comprehensive income for the year	<u>57,816,620</u>	49,804,282
At 31 December	<u>267,999,662</u>	211,548,989

40. COMMITMENTS

Loan Commitments

To meet the financial needs of the customers, the Bank enters various irrevocable commitments. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

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Loans approved but not disbursed at year end	<u>451,730,026</u>	<u>516,403,730</u>

41. CONTINGENT LIABILITIES

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent in its operations. As a result, the Bank is involved in various litigation, arbitration and regulatory proceedings in Uganda in the ordinary course of its business. The Bank has formal controls and policies for managing legal claims. Based on professional legal advice, the Bank provides and/or discloses amounts in accordance with its accounting policies described in Note 2. At year end, the Bank had several unresolved legal claims. The Bank's legal advisors' opinion is that it is possible, but not probable, that the court rulings may be in favour of Plaintiffs. Accordingly, no provision for any claims has been made in these financial statements. The possible outflow which could result from such litigation, based on the current status of the legal proceedings, is estimated to be no more than Ushs 2.89 billion (2023: Ushs 2.89 billion), while the timing of the outflow is uncertain.

42. ASSETS PLEDGED AS SECURITY

As at 31 December 2024, there were no assets pledged to secure liabilities and there were no secured liabilities outstanding.

43. RELATED PARTY TRANSACTIONS

The Bank is controlled by the Government of Uganda which owns 100% of the share capital of the Bank. The main transaction between the Bank and the Government of Uganda relates to capital contributions.

In the normal course of business, the Bank carries out various transactions with related parties. The relevant transactions with related parties are shown below:

	2024 Ushs'000	2023 Ushs'000
GoU capital contributions (note 3) Staff loans: interest earned Staff loans: repayments Staff loans: disbursements Outstanding balances Staff loans (note 21)	80,663,954 1,645,219 4,967,688 5,096,992 10,884,779	97,313,586 1,039,800 4,058,737 6,374,163 9,137,893
Key management compensation Salaries NSSF Company contributions Service gratuity	3,209,236 320,924 <u>882,540</u> <u>4,412,700</u>	2,597,953 259,795 714,437 3,572,185
Directors' remuneration	<u>607,512</u>	481,982

44. CAPITAL MANAGEMENT

The primary objective of the Bank's capital management policy is to ensure that the Bank maintains healthy capital ratios in order to support its business and to maximise shareholder value.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. The Bank's Board Audit and Risk committee is charged with the responsibility of assessing the adequacy of its capital and on a quarterly basis assesses the capital requirements of the Bank.

The total capital of the Bank is shown in the table below:

	2024	2023
	Ushs '000	Ushs '000
Issued capital	878,359,004	878,359,004
Asset revaluation reserve	279,928	2,563,242
GOU capital contribution	328,713,734	248,049,781
Kuwait Special Fund	36,715,059	35,349,112
Retained earnings	267,999,663	211,548,989
	<u>1,512,067,388</u>	<u>1,375,870,128</u>

During the year, the Bank got additional capital contributions from Government of Uganda of Ushs 81 billion (2023: Ushs 97 billion).

Effective 14 October 2022, Kuwait approved the transfer of the Kuwait Special Fund account from the Bank's liabilities' section to the equity section.

UGANDA DEVELOPMENT BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2024

45. NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

OPERATING ACTIVITIES	Note	2024 Ushs '000	2023 Ushs '000
Profit before taxation		73,192,165	72,015,714
Adjustments for:			
Unrealised foreign exchange loss/(gain)	10	3,842,780	(1,161,871)
Depreciation and amortization	13	1,754,030	1,212,032
Impairment loss on financial assets	20(e)	24,004,414	28,502,538
Fair value loss on equity investments.	23	40,235	20,793
Interest on leases	9	36,197	6,067
Interest expense on borrowings	9	10,262,329	13,473,206
Interest income on staff and customer loans and advances	8	(144,986,582)	(135,236,659)
Operating cash flows before changes in operating			
assets and liabilities		(31,854,432)	<u>(21,168,180)</u>

The following is an analysis of interest income on staff and customer loans and advances reconciling the interest received during the year.

	2024	2023
	Ushs '000	Ushs '000
Interest receivable at 01 January	63,735,452	41,213,036
Interest earned during the year (Note 8)	144,986,582	135,236,659
Interest receivable at 31 December (Note 20(a))	<u>(99,836,009)</u>	(63,735,452)
Interest received	<u>108,886,025</u>	<u>112,714,243</u>

46. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Reconciliation of movements of liabilities to cash flows arising from financing activities

31 December 2024	Borrowings Ushs'000	Amounts due to Bank of Uganda Ushs'000	Contribution from GoU Ushs'000	Total Ushs'000
Balance as at 1 January 2024	219,022,182	8,708,348	248,049,781	475,780,311
Changes in financing cash flows Proceeds from Debt Repayments of Debt Capital contributions Total changes from financing cash flows	(61,147,253) - 157,874,929	2,439,641 (1,578,731) - <u>9,569,258</u>	80,663,954 328,713,735	2,439,641 (62,725,984) <u>80,663,954</u> <u>496,157,922</u>
Other changes Interest expense Foreign exchange gains Total liability related other changes Balance as at 31 December 2024	10,262,329 (6,342,229) 3,920,100 161,795,029	9,569,258		10,262,329 (6,342,229) 3,920,100 500,078,022
24 December 2022	Borrowings	Amounts due to Bank of Uganda	Contribution from GoU	Total
31 December 2023 Balance as at 1 January 2023	213,014,327	9,519,197	150,736,195	373,269,719
Changes in financing cash flows Proceeds from Debt Repayments of Debt Capital contributions Transfers to share capital Total changes from financing cash flows	86,443,377 (89,123,797) - - 210,333,907	(810,849) - - - 8,708,348	97,313,586 	86,443,377 (89,934,646) 97,313,586
Other changes				

47. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that require adjustment in the financial statements.



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