



# UGANDA DEVELOPMENT BANK LIMITED

EXTRACT OF THE  
FINANCIAL  
STATEMENTS &  
DEVELOPMENT IMPACT  
FOR THE YEAR ENDED  
31ST DECEMBER 2020

ECONOMIC RESILIENCE  
THROUGH SUSTAINABLE  
DEVELOPMENT FINANCE

## HIGHLIGHTS OF UDB OPERATIONS

Uganda Development Bank Ltd  
Plot 6 Nakasero Road Rwenzori  
Towers, 1<sup>st</sup> Floor, Wing B, P.O Box 7210,  
Kampala, Uganda  
Tel: +256 (0) 414 355 550, (0) 312 355 500  
Website: [www.udbl.co.ug](http://www.udbl.co.ug)  
Email: [info@udbl.co.ug](mailto:info@udbl.co.ug)



# MANAGING DIRECTOR'S STATEMENT



The year 2020 was unprecedented worldwide as it was characterized by the onset of the COVID-19 pandemic. The pandemic continues to ravage various parts of the world, presenting and/or intensifying supply-side and demand-side and technological challenges to global and national economies. These challenges have impacted different countries variedly, with the effects being felt in greater intensity within the developing countries that were already beleaguered with either weak economies or inadequate social safety nets. Like other countries, Uganda experienced varied social and economic effects from this pandemic during 2020, with the tourism and education sectors bearing the brunt of these effects.

The Bank approved and committed Ugx 444Billion in 2020, and disbursed Ugx242Billion in loans to various private-sector projects across the country. In addition, credit relief was extended by restructuring Ugx 51Billion while deferring interest payments on Ugx172Billion worth of loans for up to 18months to create more runway for recovery for the affected businesses. In partnership with the European Union (EU), UDB also committed Ugx40Billion to a soft and subsidized loan fund to finance businesses engaged in tourism. Here eligible beneficiaries can access a grant to finance their working capital needs during the crisis. The grant component amounting to Euro 6Million (approximately Ugx27Billion) is funded by the European Union.

## LEADING IN THE MIDST OF THE PANDEMIC

In 2020, UDB together with Ministry of Finance co-hosted and organized the first World Development Finance Forum (WDFF), a high-level global forum focused on delivering tangible and breakthrough results to the national financial institutions and their countries. This first WDFF, which attracted delegates from 42 countries aimed at finding solutions to the challenges and opportunities emerging from the coronavirus crisis. There was also need for international consensus on the Post-COVID-19 agenda for the national financial intermediaries and the countries and territories they serve. WDFF was a success as it delivered the following results:

- It was the first time that the issue of the way and effectiveness of funds mobilized internationally for developing countries was discussed at the global level, with the purpose of ensuring that funds serve the needs of the countries.
- There was a clear consensus that it is time to closely review the effectiveness of aid, grants, technical assistance, tied loans, etc. and look for more innovative and new ways of mobilizing funds which are more suited for the National Development Banks and their countries.
- The delegates signed a resolution, calling for action to achieve both national and global sustainable development goals and economic revival through enhancing the quality and amount of funds by boosting domestic resource mobilization and by creating collective strategies for pooling international financial resources; revitalizing the role of national development finance institutions and other financial sector players and intensifying efforts to embed sustainability in the DNA of the financial sector to create strong and resilient institutions.
- The first 4 financial institutions, including UDB received the status of Sustainability-Certified Institutions. UDB was awarded the highest level 5 of the Sustainability Standards Certification Award. By undertaking this process, UDB mainstreamed sustainability in

its organisation strategy and developed a sustainability strategy which the Bank is now implementing to address the needs of all its stakeholders. With this status, UDBL is now well positioned to transform Uganda's economy and its position as leader in sustainability in the Ugandan banking sector has been strengthened.

- The Global Alliance of National Development Banks was launched. Its main purpose is to provide strong leadership and operational capacity to globally represent the interests of the National Development Banks. It also includes to gain collective bargaining power and provide the common voice and platform at the international and national levels to the National Development Banks.
- The Financing 4.0 program was launched and UDBL admitted into the programme. The purpose of Financing 4.0 program is to transform finance into a force for good and its vision is to revolutionize mobilization and deployment of funds to accelerate national development in the countries and territories of participating financial institutions. It was an honor for UDBL to join its partners from across the globe to kickstart an international debate on Financing the Post-COVID World. UDBL will continue to be part of the International consortium and co-lead the efforts of modernising National Development Finance so it can effectively address the changing needs of our economies.

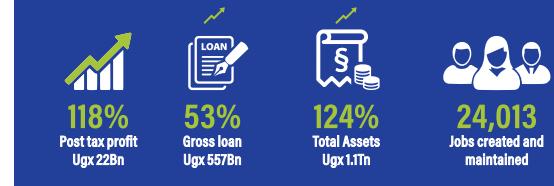
## SOCIO-ECONOMIC IMPACT CREATED

The bank in 2020 approved a total loan value of Ugx 444Billion toward 75 projects spread across the country. These projects, upon full implementation, are expected to create 57,234 jobs, generate output value of Ugx 3,785Billion, contribute taxes amounting to Ugx 749Billion and generate Ugx 1,138Billion in foreign exchange earnings.

Our commitment to high standard, a solid strategy and support from the government and our partners is bearing fruit. Despite the COVID-19 crisis 24,013 jobs were created/maintained amongst the enterprises that the bank financed. Of these jobs created/maintained, 72% were occupied by youths and 62% were full-time jobs. This is testament to the resilience of the economy and the impact of the Bank's strategies.

The total contribution to government tax revenue by companies financed by the bank amounted to Ugx160.1Billion, growing by 12% from Ugx141.7Billion in 2019. The annual output value for companies financed by the bank witnessed a 38% growth, supported by improved production mainly in agriculture and industry. Similarly, the profitability of these businesses totaled Ugx409.4Billion. Conversely, there was a 50% decline in export earnings during the year, yielding at Ugx175.4Billion – the drivers being the marked reduction in forex earnings for businesses engaged in tourism and hospitality, and manufacturers opting to either scale back production for export or to produce mainly for the local market during the lockdown.

I am happy to note that of the 24,013 jobs that were created/maintained, 33% (or 7,859 jobs) were held by females. Similarly, women held 34% representation in the shareholding, board and senior management structures of the companies funded; 23 jobs were occupied by persons living with disability. The Bank will continue to take deliberate efforts to finance enterprises that are women-led/women-owned as well as support projects that create opportunities for underserved sections of the society.



It is noteworthy that during the year and from the Bank's interventions, up to 5,275 people were lifted out of poverty i.e., they started to earn incomes above the poverty line (US\$1.90 per day); the average yield per acre for cereal improved by 4% to 1,610Kgs while the value of industrial output improved from Ugx410.9Billion to Ugx1,520.7Billion.

## OUR BUSINESS

UDB continued to sustain balanced financial and non-financial performance. The Bank realized a post-tax profit of Ugx22.1Billion in 2020, more than doubling from Ugx10.1Billion in 2019. This resulted majorly from the sustained growth in the bank's funding, matched by a 54% growth in the gross loan book, from Ugx354Billion in 2019 to Ugx557Billion at the end of 2020. Similarly, the bank's interest income improved to Ugx72.1 Billion, up by 72% from Ugx42.0 Billion in 2019.

The bank continued to grow in size. UDB's balance sheet grew by 124% from Ugx486.4Billion to Ugx1,089.8Billion on the back of improved Government of Uganda funding contributions totaling Ugx510Billion in 2020. The bank also drew down on the lines of credit held with its funding partners, deploying additional Ugx68Billion in 2020, and therefore giving rise to a 65% uplift in total borrowings to Ugx143.49Billion from Ugx87.22Billion in 2019.

The bank will continue to leverage its equity so as to diversify its sources for funding required to finance its investments whilst undertaking interventions to optimize its financial, human, technology and other resources, with the view to bolster operational efficiency.

Similarly, to protect shareholder value, UDB will continue to exercise prudence at business sourcing as a means to proactively manage its credit risk, and undertake any feasible supportive interventions that aim to resuscitate distressed customers' businesses.

## 2021 AND BEYOND

Building on our goal to have sustainable high impact, the Bank's priorities in the coming period will include amongst other strategies to draw in underserved communities. Specific emphasis is to create jobs through an innovative SME development and financing program, youth and women financing interventions. The Bank will also widen the net cast by appropriate technology and its partnerships to better serve projects across the country, promote value addition in agriculture especially in rural production zones, and support our teams internally to deliver quality services.

On behalf of Management and staff, I convey our sincere gratitude to all our shareholders, customers and all our stakeholders for their continued support to the Bank amidst the challenging operating environment during the year 2020. Our commitment is to stay true to the Bank's mandate and to continue making tangible contributions towards improving the quality of life of Ugandans.

As we look to a rewarding 2021, I wish you all good health and success.

**Ms. Patricia A. Ojangle**  
Managing Director

**242bn**  
LOANS  
DISBURSED  
IN 2020

**160.1bn**  
TAX CONTRIBUTIONS  
BY COMPANIES  
FINANCED BY THE  
BANK

**5,275**  
PEOPLE WERE  
LIFTED OUT OF  
POVERTY

**22.1bn**  
POST-TAX PROFIT  
WAS REALIZED BY  
THE BANK IN 2020

**54%**  
GROWTH IN THE  
GROSS LOANS

# AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS

## OPINION

I have audited the financial statements of Uganda Development Bank Limited, which comprise the Statement of Financial Position as at 31st December 2020, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of Uganda Development Bank Limited for the year ended 31st December 2020 are prepared in all material aspects, in accordance with section 51 of the Public Finance Management Act 2015 and the International Financial Reporting Standards (IFRSs).

## BASIS FOR MY OPINION

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

## MANAGEMENT RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Under Article 164 of the Constitution of the Republic of Uganda,1995(as amended) and Section 45 of the Public Finance Management Act,2015, the Accounting Officer is accountable to Parliament for the resources of Uganda Development Bank Limited.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the International Financial Reporting Standards (IFRSs), and the Public Finance Management Act 2015 and for such internal control as management determines necessary to enable the preparation of financial statements whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Uganda Development Bank Limited'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 Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Uganda Development Bank Limited's financial reporting process.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs 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 ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit.

## OTHER REPORTING RESPONSIBILITIES

In accordance with section 19(1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements ,that: except for the matters raised in compliance with legislation section, and whose effect has been considered in forming my opinion on financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.



John F. S. Muwanga  
Auditor General  
6th April,2021

## STATEMENT OF COMPREHENSIVE INCOME

	Note	2020	2019
		Ushs '000	Ushs '000
Interest and similar income	8	72,062,342	42,021,779
Interest expense and similar charges	9	(4,162,653)	(3,104,553)
<b>Net interest income</b>		<b>67,899,689</b>	<b>38,917,226</b>
Net foreign exchange gains/(loss)	10	499,719	(73,394)
Fair value loss on investment property	22	(789,532) (789,532)	(3,323,000)
Net loss on financial assets recorded at fair value through profit or loss	19	(16,051)	(98,416)
Other income	11	1,888,522	2,062,694
Net impairment loss on financial instruments	20(e)	(14,687,571)	(1,403,807)
<b>Operating income after impairment losses</b>		<b>54,794,774</b>	<b>36,081,303</b>
Personnel expenses	12	(13,473,317)	(11,375,982))
Depreciation and amortization	23, 24	(774,760)	(608,646)
Other operating expenses	13	(8,882,641)	(8,711,422)
<b>Profit before tax</b>	<b>14</b>	<b>31,664,056</b>	<b>15,385,253</b>
Income tax expense	16(a)	(9,555,278)	(5,244,994)
<b>Profit for the year</b>		<b>22,108,777</b>	<b>10,140,259</b>
<b>Total comprehensive income net of tax</b>		<b>22,108,778</b>	<b>10,140,259</b>
Basic/diluted earnings per share	15	221.09	101

## STATEMENT OF FINANCIAL POSITION

	Note	2020	2019
		Ushs '000	Ushs '000
<b>ASSETS</b>			
Cash and cash equivalents	17	138,125,272	21,689,075
Deposits held in banks	18	380,610,389	81,458,271
Equity investments at fair value	19	111,285	127,336
Loans and advances	20	511,881,678	334,414,806
Staff loans and advances	21	6,207,271	3,891,810
Current income tax recoverable	16(b)	-	2,181,171
Investment property	22	34,151,000	31,473,000
Property and equipment	23	5,152,592	5,089,650
Intangible assets	24	483,723	823,629
Other assets	25	13,080,854	5,216,463
<b>Total assets</b>		<b>1,089,804,064</b>	<b>486,365,211</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	33	100,000,000	100,000,000
GOU capital contributions	34	693,873,246	183,902,306
Kuwait Special Fund	28	31,222,552	-
Asset Revaluation reserve	35	1,203,464	1,203,464
<b>Retained earnings</b>	<b>43</b>	<b>84,485,757</b>	<b>62,376,979</b>
<b>Total equity</b>		<b>910,785,019</b>	<b>347,482,749</b>
<b>Liabilities</b>			
Amounts due to Bank of Uganda	26	16,321,890	16,017,692
Borrowings	27	124,682,155	70,541,546
Kuwait Special Fund	28	-	30,777,916
European Union grant	30	7,125,873	-
UNCDF fund	29	2,490,371	664,670
Deferred income tax liability	31	2,747,128	5,776,986
Current income tax liabilities	16 (b)	724,052	-
Other liabilities	32	24,927,576	15,103,652
		<b>179,019,045</b>	<b>138,882,462</b>
<b>Total Equity and Liabilities</b>		<b>1,089,804,064</b>	<b>486,365,211</b>

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

**Mr. Felix Okoboi**



Chairperson

**Mr. Henry Balwanyi Magino**



Director

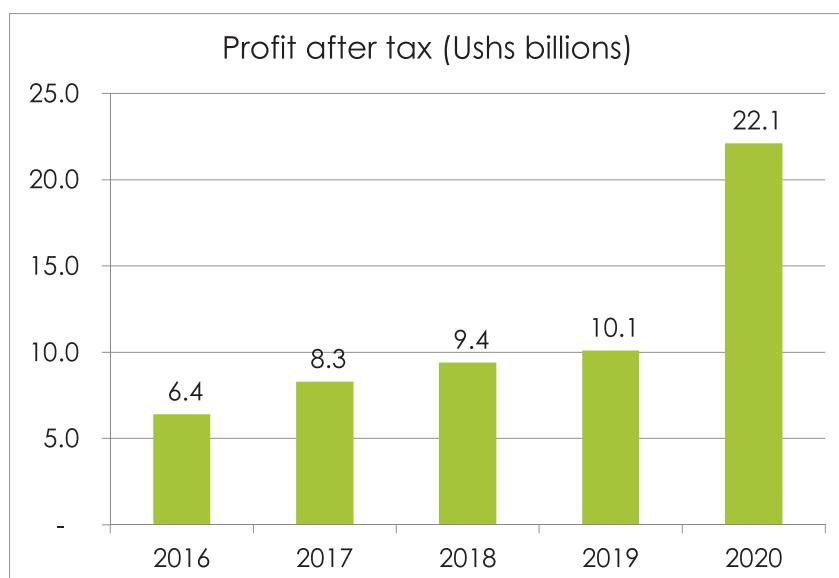
## PROFITABILITY FOR THE YEAR

The Bank realized a profit for the year of Ushs 22.1 billion, representing a 118 % growth from the Ushs 10.14 billion realized in 2019 as a result of continued growth in funding and capitalization of the bank coupled with increase in loan disbursements to development projects and revenue from earning assets.

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

In its efforts to remain financially sustainable in the foreseeable future, the Bank is digitizing its operations to drive productivity and increase efficiency gains, fast track the implementation of its funding and capitalization strategy and seek alternative ways of raising financing to invest in small, medium, and large-scale projects with high potential for development impact on the economy.

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

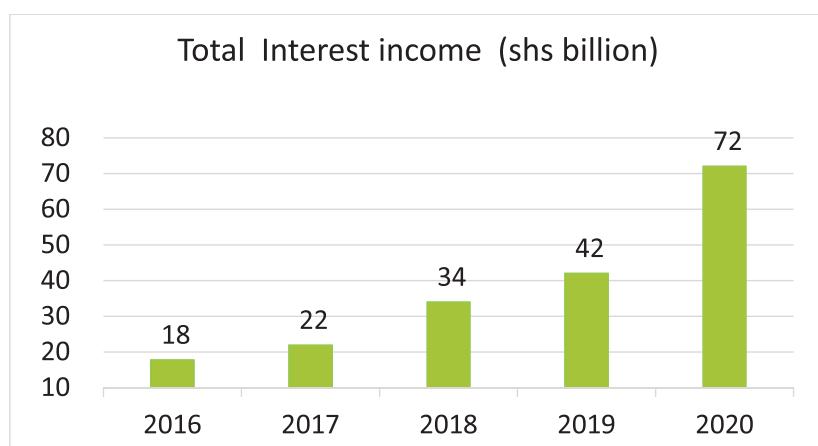


## INTEREST INCOME

Interest and similar income grew by 74% in 2020 mainly as a result of a 54% growth in loans and advances.

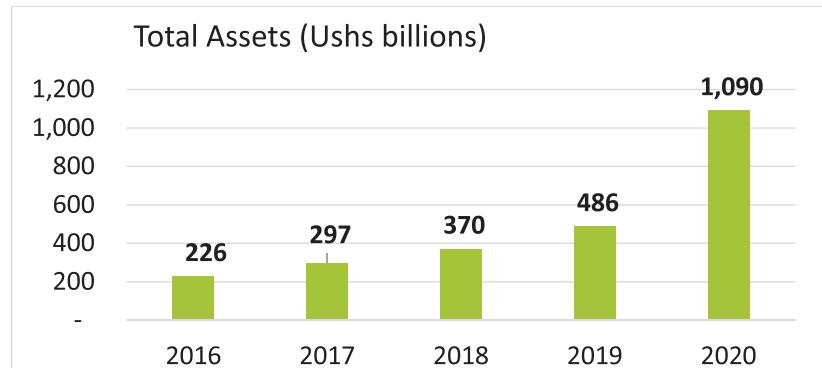
Interest expense and similar charges increased by 34% to Ushs 4.2 billion from Ushs 3.1 billion in 2019 as a result of 77% increase in borrowings, arising from new lines of credit of Ushs 67 billion secured by the bank in 2020 compared to Ushs 49 billion drawn down in 2019.

The Bank's net interest income increased by 74% to Ushs 67.9 billion from Ushs 38.9 billion in 2019.



## TOTAL ASSETS

The bank's total assets increased by 124% from Ushs 486 billion to Ushs 1090 billion on the back of increase in the Government of Uganda capital contribution as well as draw down of lines of credit.



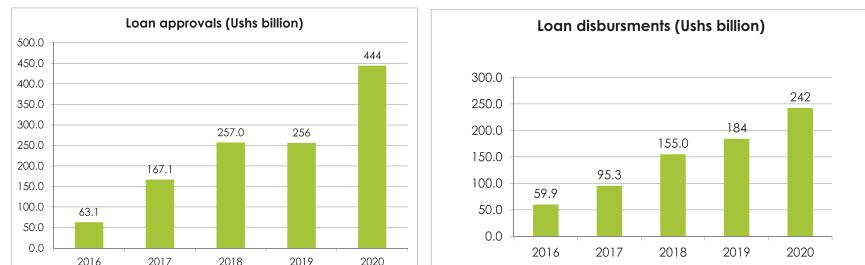
## GROSS LOANS AND ADVANCES

Gross loans and advances increased by Ushs 177 billion (53%) during the year compared to a growth of Ushs 45 billion (15%) in 2019. Ushs 242.3 billion was disbursed to projects in 2020 compared to Ushs 183.9 billion in 2019 representing a 31.7% growth in disbursements.

The growth in the funding base of the Bank, the capital and interest repayments and the internal profits continued to support the growth in the loans and advances.

## DEPOSITS HELD IN BANKS

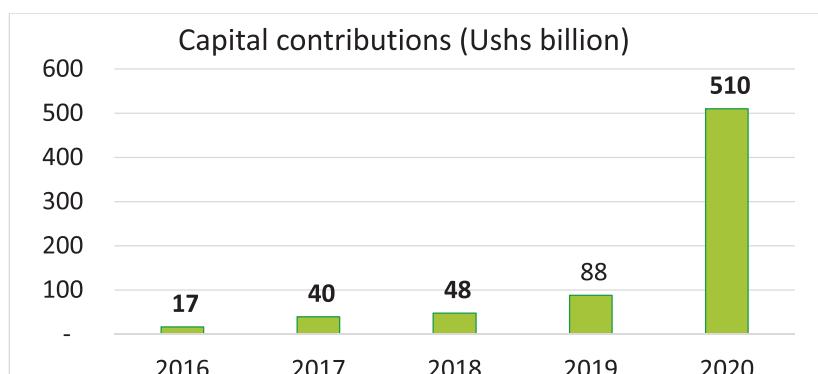
The deposits held in banks are fully committed to projects that are implemented in a phased manner. As at 31st December, the value of projects that were appraised and approved but not yet disbursed (due to the phased disbursement/financing structure of projects) was Ushs 351 billion; the bulk of this money will be disbursed in the year 2021.



## GOVERNMENT OF UGANDA CAPITAL CONTRIBUTION

The Government of Uganda continued to capitalize the Bank throughout 2020 with additional capital of Ushs 510 billion injected into the Bank compared to Ushs 87.7 billion in 2019. This gave rise to an 277% increase in total capital contribution in 2020 to Ushs 693.8 billion from Ushs 183.9 billion in 2019.

The capital contributions remain key in facilitating the growth in the Bank's loan portfolio. The bulk of the capital contribution was utilised to finance projects that mitigate the effects of Covid-19 on the economy.



# SOCIO-ECONOMIC DEVELOPMENT IMPACT 2020

## KEY DEVELOPMENT IMPACT HIGHLIGHTS OF PROJECTS FUNDED BY THE BANK

DI Year	Jobs created/ Maintained	Output Value Turnover	Tax Contributions	Profitability	Forex Earnings
2020	24,013	2.48Tn	160Bn	409Bn	175Bn
2019	28,313	1.795Tn	141Bn	178Bn	350Bn
% Change	-15%	28%	12%	131%	-50%

- The 15% decline is attributed to the job cuts particularly in the education and tourism sectors occasioned by the Covid-19 pandemic.
- There was a decline in export earnings during the year with the drivers being the marked reduction in forex earnings for businesses in tourism and hospitality, and manufacturers opting to either scale back production for export or to produce mainly for the local market during the lockdown.

### EMPLOYMENT COMPOSITION 2020

2019	2020
Male	11,234
Female	3698
Male youth	5881
Female youth	4305
Full time employee	25118
Temporary employee	10,871

### EMPLOYMENT, GENDER AND SOCIAL INCLUSION



The proportion of women employment was highest in manufacturing at 57% followed by primary agriculture at 14%, while oil and gas had 10% and the least was in the tourism and hospitality sector at 1.6 %

## KEY STAKEHOLDER INTERVENTIONS PICTORIAL



H.E Amb. Marcel R. Tibaleka, Uganda's Ambassador to Germany receives the SSCI award on UDB's behalf from Tom Hoyem, Council Member of SSCI in Germany.



UDB Media Partners at a training on Development Finance at Golden Tulip Hotel in Kampala.



Uganda Development Bank (UDB) together with the Ministry of Finance, Planning and Economic Development and the European Organization for Sustainable Development (EOSD) hosted the 1st World Development Finance Forum 2020 (Wdff) in Kampala with virtual attendance from members worldwide.



Officials from Uganda National Chamber of Commerce and Uganda Development Bank at the signing of an MoU in partnership to facilitate capacity building of SMEs, youth and women in business.



UDB officials at the Annual General Meeting in May 2020.