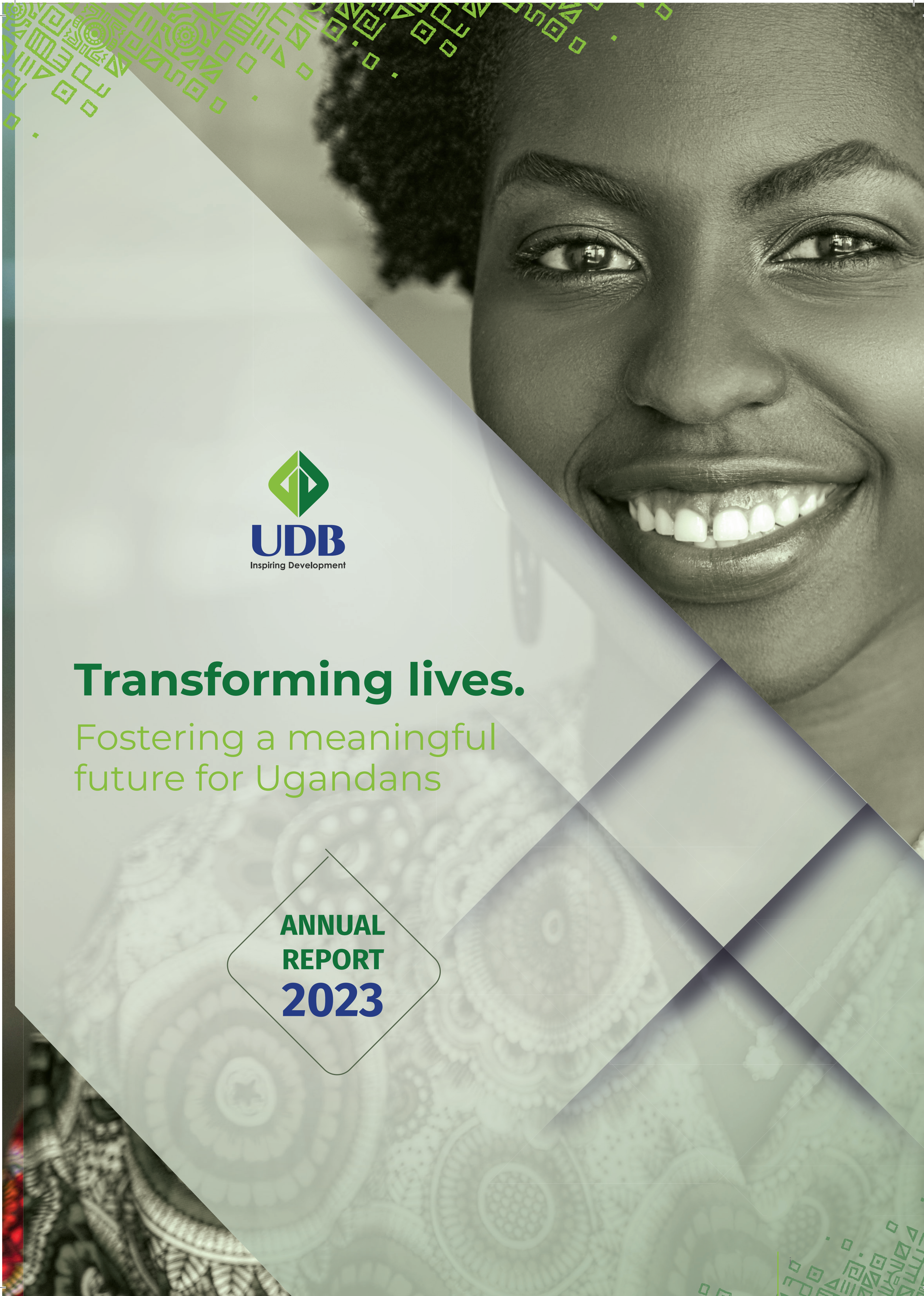
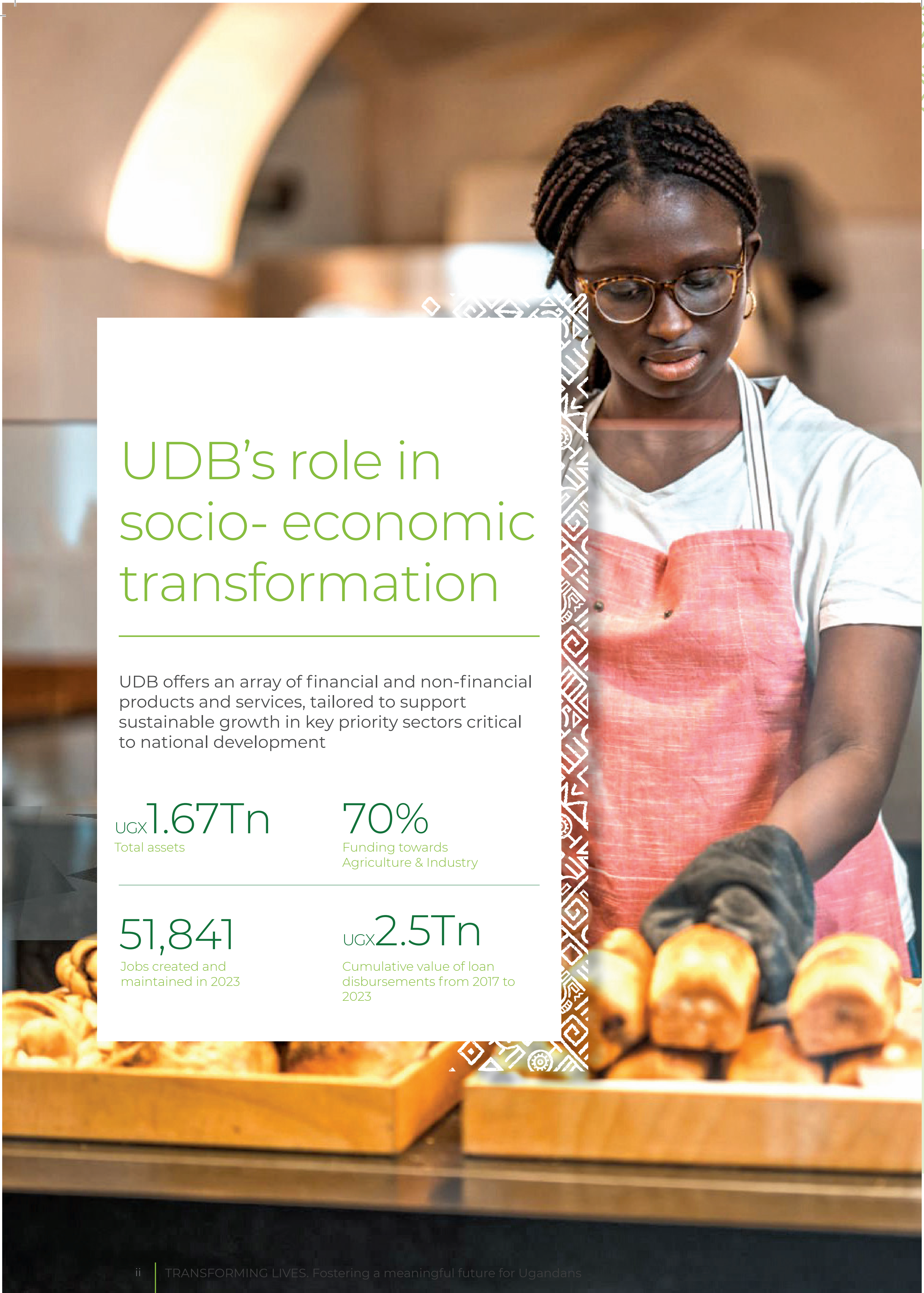
UDB
Inspiring Development

Transforming lives.

Fostering a meaningful future for Ugandans

ANNUAL REPORT 2023





UDB's role in socio- economic transformation

UDB offers an array of financial and non-financial products and services, tailored to support sustainable growth in key priority sectors critical to national development

UGX1.67Tn
Total assets

70%
Funding towards Agriculture & Industry

51,841
Jobs created and maintained in 2023

UGX2.5Tn
Cumulative value of loan disbursements from 2017 to 2023

Contents

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 shareholders.

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 percentage of total assets.

NET INTEREST MARGIN (%):
Net interest income as a percentage of annual gross interest on loans.

YIELD ON LOANS (%):
Total interest income as a percentage of annual average total loans.

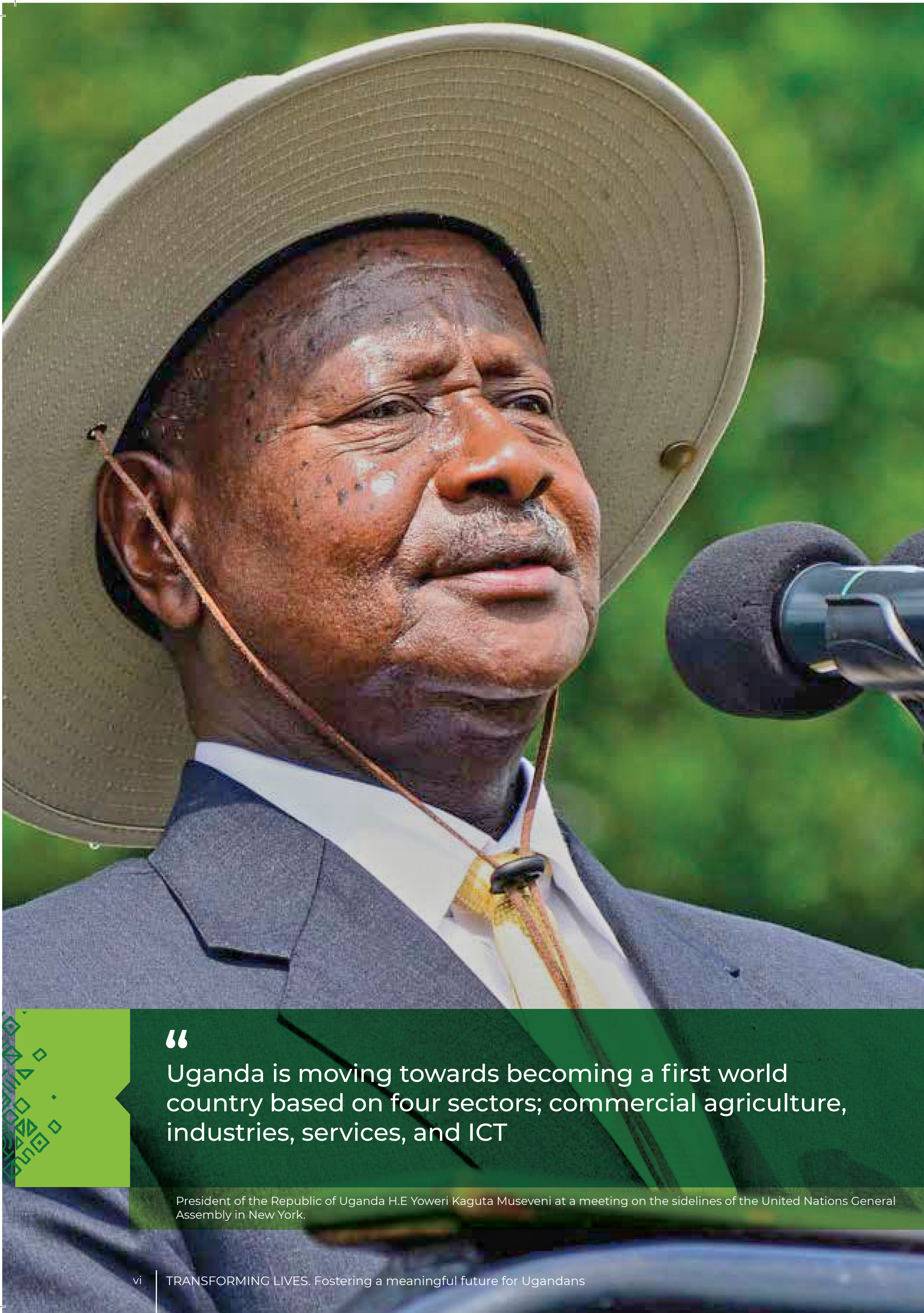
DEBT TO EQUITY RATIO (%):
Total debt as a percentage of total equity.

NET ASSET IMPAIRMENT RATIO (%):
Provision for credit losses per the income statement as a percentage of closing net loans and advances.

COST-TO-INCOME RATIO (%):
Operating expenses, excluding provisions for credit losses, as a percentage 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
BCC	Board Credit Committee
BSPC	Board Strategic Planning Committee
BEIC	Board Equity Investment Committee
DFI	Development Finance Institution
E&S	Environmental and Social Management Framework
EOSD	European Organization 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



> "Uganda is moving towards becoming a first world country based on four sectors; commercial agriculture, industries, services, and ICT

President of the Republic of Uganda H.E Yoweri Kaguta Museveni at a meeting on the sidelines of the United Nations General Assembly in New York.

FOREWORD FROM THE **MINISTER OF FINANCE**

Uganda's efforts to build a modern self-sustaining economy are reflected positively in the performance of Uganda Development Bank Limited (UDB). The 2023 Annual Report records this solid path demonstrating that Uganda's efforts to enhance the quality of life of millions of Ugandans by creating new jobs for our people and boosting productivity in the critical sectors of the economy.

This report affirms the Government of Uganda's strong resolve to advance manufacturing, implement additional import substitution investments, expand production of agricultural raw materials and products.

Despite the presence of periodically adverse conditions occasioned by COVID-19, disruptions from geopolitical events as well as unstable weather due to climate change, performance of the Bank's loan book has remained robust with an outstanding pipeline of over one Trillion Uganda shillings suggesting confidence in the Bank and its capacity to manage a diverse portfolio.

The 2023 Annual Report also sets a standard on how to support government policy especially in growing rural incomes. UDB's portfolio in Agriculture and Industry represents 70% of its total lending and includes a mix of Agro-processing and medium to large scale agriculture.

These interventions augment grassroot government interventions by financing new technologies for plant and animal husbandry such as improved crop seeds and animal breeds, financing for high value crops life coffee, tea, cocoa and popularizing standards in post-harvest handling to enable competitive products to enter the local and regional market.

In addition, the Bank's targeted investment strengthens value chains further creating stronger links between raw material production and processing capacity by making funding available for purchase of industrial equipment. Majority of the funding as detailed in the 2023 Annual Report has gone to agro-processing. Within this eco-system, it delights me to note that 66% of funded enterprises by UDB sourced their raw materials locally and that most of the raw materials in question were agricultural raw materials.

UDB's performance across its priority sectors such as manufacturing, human capital development, tourism and infrastructure support have equally shown resilience and promise. Enterprises supported by the Bank posted profitability of **UGX869** Billion in 2023, contributed **UGX236** Billion in taxes and significantly to forex earnings indicating a six-year stable upwards trend in performance.

Finally, as a Development Finance institution, it gives me pleasure to note that UDB continues to lead the way in the sustainability agenda through building practical and durable programs that are deliberately expanding social inclusion by targeting women, youth and disabled Ugandans; directing economic progress with an emphasis on the quality of life, protection of the environment and investment in the future.

I congratulate the Board, Management and Staff of UDB and commend them for the continued positive performance of the Bank.

Matia Kasaija

MESSAGE FROM THE STATE MINISTER OF **FINANCE FOR INVESTMENT AND PRIVATIZATION**

It gives me great pleasure to comment on the performance of Uganda Development Bank 2023, a Bank which is pivotal to the socio-economic transformation of this country . In particular, I note that UDB continues to respond professionally and diligently, with government support, to the overwhelming need for long term patient capital especially for the domestic economic actors.

This is both a challenge and an opportunity. A challenge because it imposes on the Bank a constant demand and pressure to remain focused on its strategic plan and high impact goals in an environment where capital is scarce, and the need is high.

It is an opportunity because private sector demand for capital to further expand investments in the economy is high, whereas the areas for present and future profitability are just emerging because of a backlog of underinvestment.

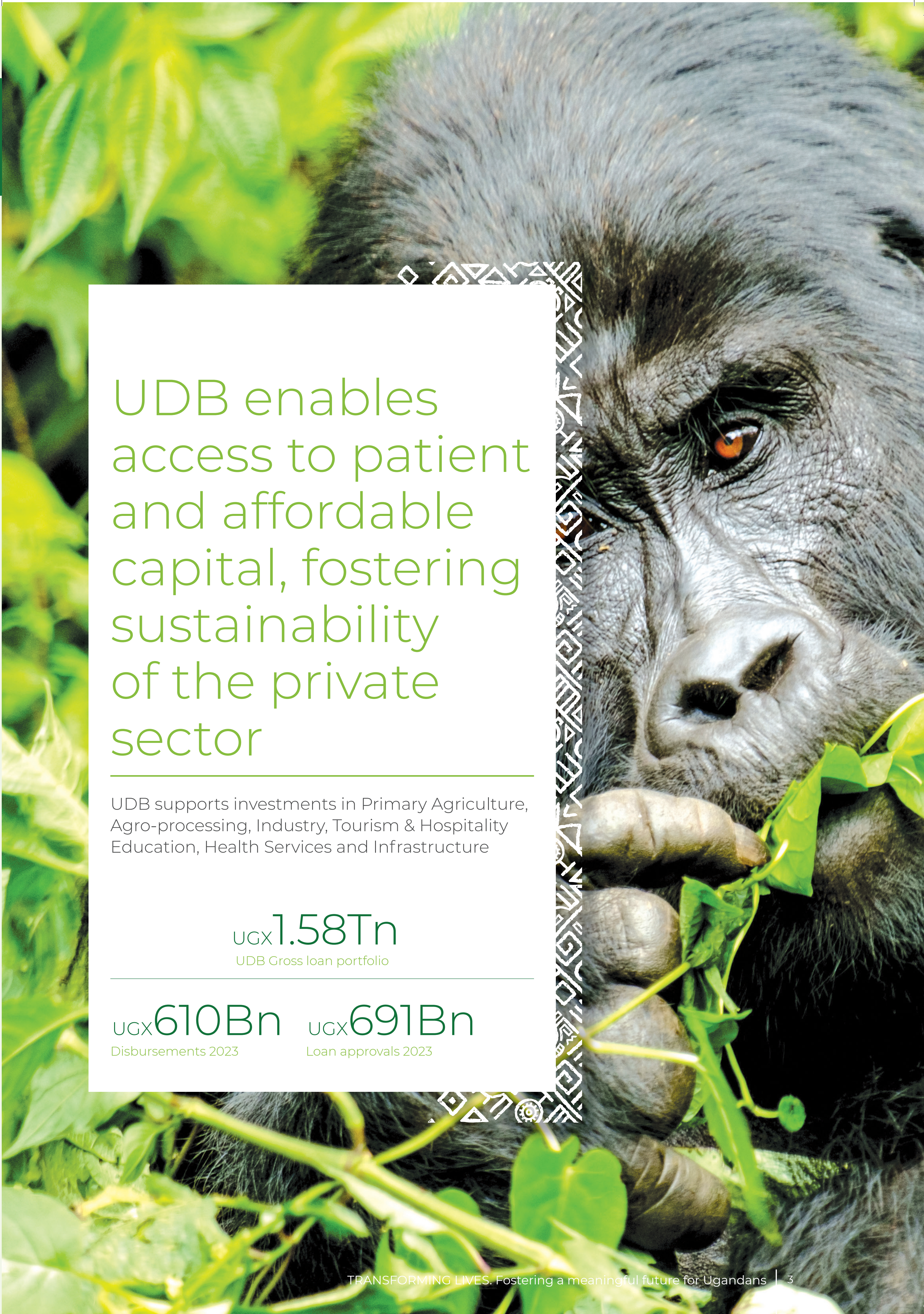
I note that the loan portfolio of UGX1.6 trillion is dominated by key areas of government focus namely; Agriculture (primary and Agro-processing), manufacturing as well as value-added sectors such as health, education, and tourism. But within the portfolio it is agriculture that stands out at UGX 642 billion that is an indicator for the appetite of this sector to absorb capital with a potential to have the greatest impact through processing, marketing, and export on the incomes and therefore livelihoods of the greatest percentage of Ugandans.

As indicated in the report, I also observe with pleasure and gratitude that whilst Term Loans, which are defined by long term financial support, form the bulk of the lending product there has been a growth in the performance of Special Programs, UDB's flexible lending response to the needs of micro, small and medium scale enterprises designed especially for women and youth. The UGX33 billion distributed to Special Programs is also an indicator of the riding demand and potential of SMEs to engage in the money economy and holds true the message of the government that is encouraging grassroots entrepreneurs at the level of the family and community to engage in the money economy.

Finally, but not least I congratulate UDB for its expanding equity investments. While the numbers are still modest, equity in viable businesses sends a message of encouragement to entrepreneurs especially local investors that the Bank is willing to back their efforts and do so by sharing the risk with them. UDB is known for innovating around its high impact goals and for paying special attention to sustainability but in the equity portfolio local investors and others will find the signals as to which areas of viability they can engage in and thus is a powerful tool to engage with in the economy. The current portfolio includes just three, industrial and Specialty Chemicals, Veterinary Pharmaceuticals and Sustainable Construction Materials but I look forward to an expanded list as the Bank injects confidence in more products and sectors by sharing the risk through its equity portfolio.

I wish to congratulate the Board, Management and Staff of the Bank for a solid track record despite the present global challenges.

Evelyn Anite



UDB enables access to patient and affordable capital, fostering sustainability of the private sector

UDB supports investments in Primary Agriculture, Agro-processing, Industry, Tourism & Hospitality Education, Health Services and Infrastructure

UGX 1.58Tn
UDB Gross loan portfolio

UGX 610Bn
Disbursements 2023

UGX 691Bn
Loan approvals 2023

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 middle-income status by 2040.

As a Development Bank, it is recognized 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 catalyze private sector investment and support the growth and development of SME's. UDB is, therefore, a key player in promoting private sector development.

OUR VISION
Preferred and trusted development finance services provider for socio-economic development

OUR VISION
Accelerating socio-economic development through sustainable financial interventions

OUR VALUES

Integrity
We promise and only promise what we can deliver. We do what we say we are going to do and are accountable for our promises. We value honesty and consistency in our words and actions. We earn trust by living up to our commitments and make decisions that are in the best interest of the Bank and our customers.

Commitment
We are devoted to being the best we can be. To achieve this, we place our customers at the center of everything we do. We consistently deliver on expectations and go the extra mile to get the job done. We approach everything with "It can be done" attitude.

Excellence
We value the highest quality and value possible through simple and relevant solutions.

OUR **HIGH IMPACT GOALS**

GOAL 1:
To Build a Sustainable Agrifood System for Uganda

Under this goal, UDB focuses on supporting the entire agriculture ecosystem, 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 Industrialization in Uganda

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

Agro-industrialization: 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 the industry sub-sector which does not utilize agricultural produce as raw materials. The Bank's focus in this sub-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.

Knowledge-based Industries: These are considered the backbone of the new economy due to their vast potential to accelerate national development; and consist of the Pathogen economy and 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: This sub-sector includes iron ore & steel, mining, and oil & gas. To facilitate growth within this sub-sector, the bank supports industrial enterprises that focus on extraction and value addition for industrial and construction purposes.

GOAL 3:
To Develop a Sustainable Services Sector

Being the largest contributor to GDP (over 40% of GDP in FY 21/22), the services sector presents huge economic opportunities for Uganda's development and in creating gainful employment if well exploited. Through this goal, the Bank pursues the following sub-sectors:-

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

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 commercialization of viable scientific research innovations

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 challenges of sustainable development.

DELIVERING OUR STRATEGY **THROUGH PRIORITY SECTORS**

High Impact Goals

Building
A Sustainable
Agrifood System

Promoting
Sustainable
Industrialization

Developing
A Sustainable
Services Sector

Sectors

Primary Agriculture
Agro-processing

Agro-industrialization
Manufacturing -
knowledge-based industries
and extractives

Health
Tourism & Hospitality
Education
Science, Technology and
Innovation
Creatives

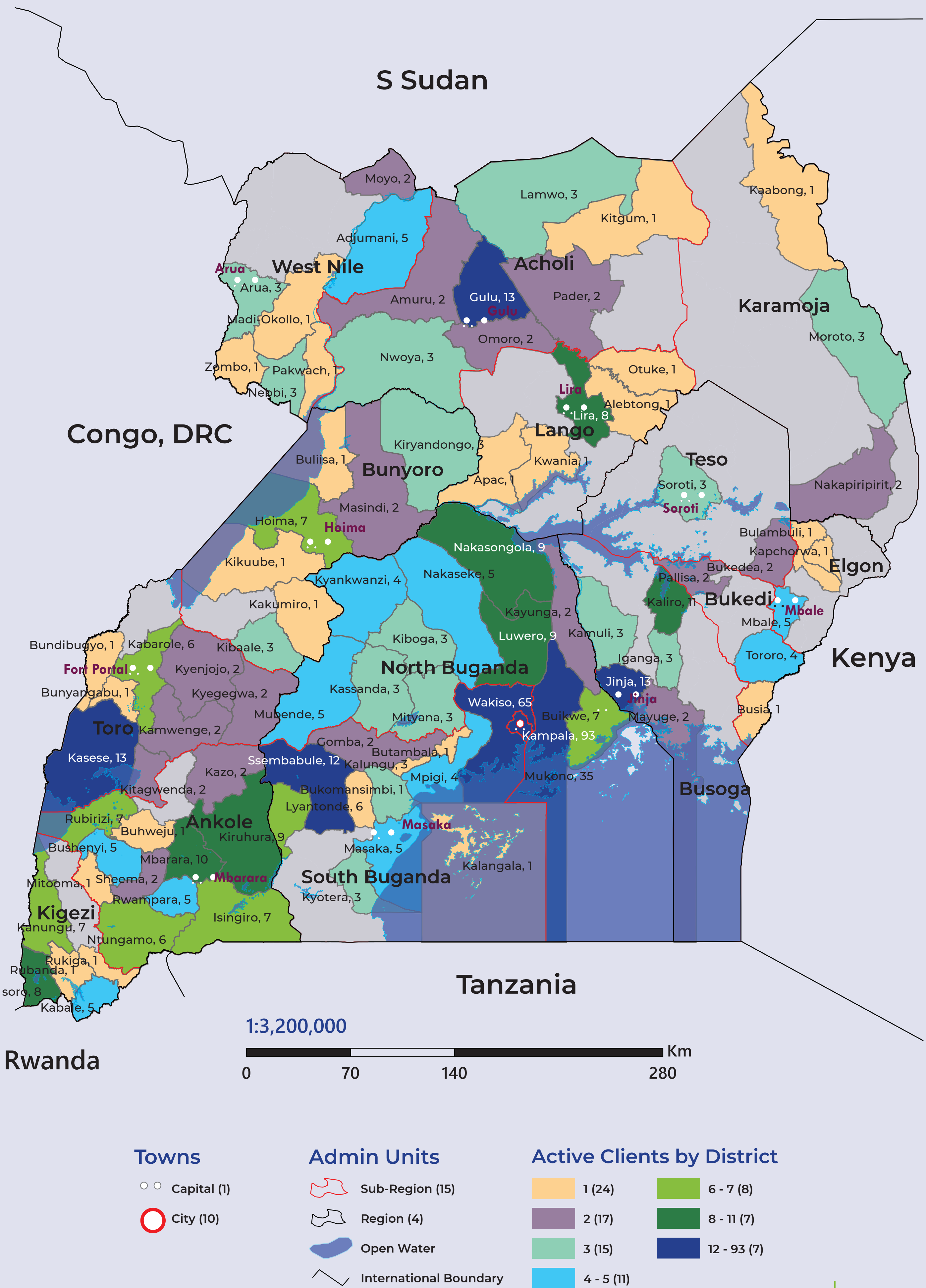
Enabling Sector

Infrastructure

Cross-Cutting Priorities: SMEs, Climate Change, Gender & Youth

UDB **FOOTPRINT**

Map representing the coverage of projects funded by the Bank across the country



PRODUCTS AND **SERVICES**

Financial interventions

	Term loans	Asset finance	Trade finance
Key features	Loans for capital investments	Product for enterprises with collateral issues UDB enhances collateral value	Short-term finance for existing and operational enterprises
Tenors	4 to 15 years Inclusive of 3 years of grace period	4 to 8 years Inclusive of 3 years of grace period depending on the usable life	Revolving in nature with repayment cycles up to 120 days

Special programs key features

	SME Kazi Loans	Women Prosper Loans
Key features	• Facilities offered on concessional terms • Business advisory for SME growth • SMEs with up to UGX 360M turnover	• Facilities offered on concessional terms • Designed to support businesses led and owned by women, or producing goods and services for women

Non-financial interventions

Equity investment

Start-ups or large-scale projects with high growth potential but deemed too risky

UDB will be a shareholder for a maximum of 10 years

Project finance

Long term funding for instratructure and large industrial project

Financing structure against cash flow and the realizable value of project assets

Business accelerator

Advisory services pertaining to

Management best practices

Good governance

Record keeping

Financial management

Project preparation

Support throughout the entire project development cycle

Identification

Conceptualization

Feasibility studies

Financial and legal structuring

Youth Step-Up Loans

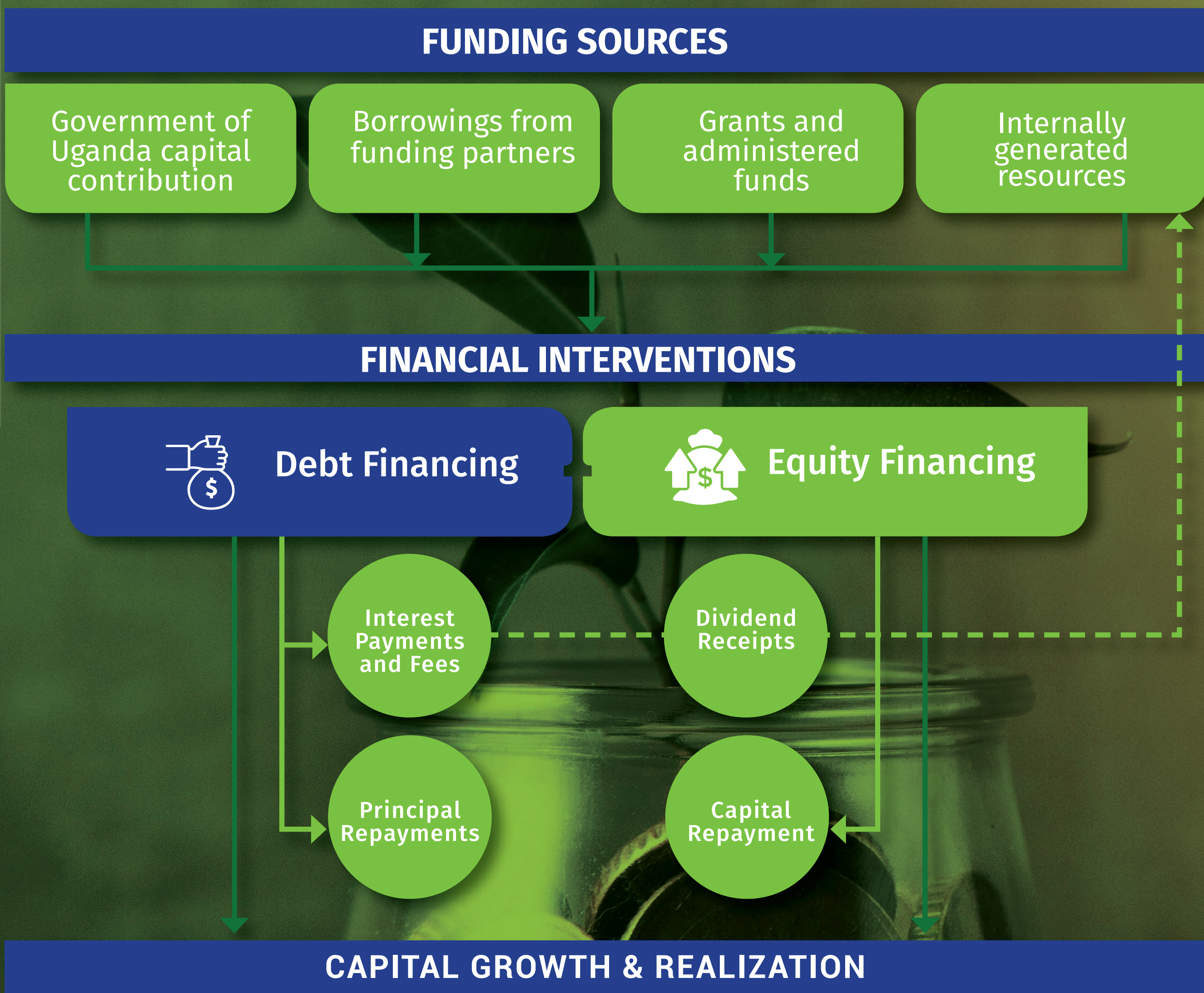
- Financing solutions and business development solutions
- Qualifying entities must be youth-owned with over 30% shareholding and have more than 35% youth employees

Highlights

A fast-track application process

- Submission of Special programs application form in lieu of a business plan
- Required documents checklist include:
  - Business Registration Records
  - Record of assets liabilities, revenúes and expenditures
  - Valuation report

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

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

HOW THE RESOURCE IS USED TO ENABLE OUR BUSINESS MODEL

- 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

CATEGORY / ACTIVITIES

ACTIVITIES DIRECTLY RELATED TO PROVISION OF FUNDING
- 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

ACTIVITIES SUPPORTING THE DEVELOPMENT IMPACT OF OUR BUSINESS
- Providing non-financial support to entrepreneurs
- Developing and managing specialized funding products to address specific development outcomes
- Undertaking sector and economic research
- Participating in government and private sector development initiatives
- Supervision and monitoring of projects

ACTIVITIES DIRECTLY SUPPORTING SUSTAINABILITY OF OUR BUSINESS
- Sourcing and managing loans and other funds at the lowest possible cost to pass on these benefits to our clients
- Managing our portfolio of loans and investments to ensure that we collect principal, interest and dividend payments
- Assets and Liabilities management

CROSS-CUTTING SUPPORTING ACTIVITIES
- Human capital management
- Business technology
- Strategy and economic research
- Governance, compliance and legal services
- Enterprise risk
- Corporate affairs
- Procurement
- Business advisory

GOVERNANCE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CHAIRMAN'S STATEMENT

The year 2023 marked yet another milestone on the Bank's journey towards uplifting the quality of life of Ugandans.

On the back of the upsets in the economic environment, with the global economy only expanding by 3.2%, a decrease from the 3.5% growth rate witnessed in 2022, attributed to various factors, including inter alia the longer-term effects from the COVID-19 pandemic, geopolitical tensions such as the conflict in Ukraine, increasing geoeconomic fragmentation, and the sluggish productivity growth, Uganda's GDP growth yielded at 4.8%, also declining from 6.3% the previous year.

Despite this challenging economic environment, the Bank remained resilient, exploiting the existing opportunities to support various qualifying enterprises, and implementing tailored novel interventions that address the current needs. The Bank ended the year on a strong footing, growing its total assets to UGX1.67 trillion, from UGX1.52 trillion the previous year. This 10% asset uplift, supported in part, by a related 12% uptick in shareholder equity, from UGX1.23 trillion in 2022 to UGX1.38 trillion, testifies to the solid resolve of the bank's shareholders, the Government of Uganda, and that of our funding partners towards strengthening the bank and expanding its scale, to make an impactful contribution in the economy and the lives of Ugandans.

This surge in total assets was also on account of the 22% growth in gross loans to UGX1.58 trillion, attributed to the UGX610 billion disbursed in new loans during the year, to support various businesses across the country. These investments in turn significantly contributed to the bank's strong financial performance, improving UDB's profitability by 17% in the year 2023, to UGX49.8 billion.

The Board remains committed to its remit, providing the requisite oversight that assures sustainability of the Bank. The Board will continue to focus UDB on the path to attainment of the Bank's mission of accelerating socio-economic development through sustainable financial interventions, thus ensure that the Bank's interventions amongst other socio-economic outcomes, create sustainable jobs, boost inclusive growth and are consistent with the country's development priorities.

In the year 2023, the Bank launched various innovative interventions to address unique needs and systemic challenges in the economy; the Bank launched the UDB Climate Finance Facility, a strategic fund that aims to catalyze climate-conscious investment; launched the UDB AgriConnect an innovative digital lending solution to enhance financial access for small holder farmers in rural Uganda; launched the Ugandan Contractors' Program, a fund that aims to facilitate the readiness and capacity of indigenous contractors to participate in infrastructure projects, among other solutions.

The Bank also continues to achieve scale in specialized programs to support the Youth, Women, and SME segments. To expand the Bank's reach, the Board approved an expansion plan to open up 5 regional representative offices across the country, with the inaugural office opened in Gulu in 2023, and the remaining 4 planned for 2024 and 2025.

The Board also approved various policy frameworks with a view to ensure adequate mitigation of the risks that face the bank and to ensure the Bank's business remained alive its operating environment.

These and other milestones contained in this report, are testament to UDB's unwavering commitment to supporting businesses engaged in the priority sectors of the economy that the Bank supports and to protecting shareholder value by ensuring the Bank runs efficiently.

In 2024 and beyond, the Bank will continue to play its vital policy role as the country's primary development finance institution, aiming to catalyze socio-economic development within the country. As the current strategic plan comes to its end, the Bank will in 2024 develop a revised strategic plan for the period 2025-2029, the same taking into account the national strategic priorities in line with the upcoming National Development Plan (NDP4). The Bank's strategic focus shall remain on supporting those priority development areas that will transform the country from predominantly peasant and low-income country to a thriving middle-income country.

On behalf of the Board of Directors, I extend our deepest gratitude to His Excellency, The President of the Republic of Uganda, for his invaluable trust in the Bank, and whose confidence and support to the Bank has been fundamental in propelling UDB to achieve these milestones.

I extend our sincere appreciation to all our stakeholders for supporting the Bank, most especially to our shareholders, the Minister of Finance Planning and Economic Development, Hon. Matia Kasaija, and the Minister of State for Privatization and Investment, Hon. Evelyn Anite, and the rest of the Top Management Team of the Ministry of Finance for their relentless and steadfast support to the Bank.

I thank the Managing Director, Mrs. Patricia Ojangole, the Executive team and the entire staff body for their staunch commitment and dedication towards the Bank's cause to address the development needs of our country.

Finally, I extend my appreciation to my fellow directors for their diligence and stewardship, and whose oversight for the Bank's affairs has been the cornerstone to UDB's transformation, into an institution that is truly focused on its role of improving the quality of life of Ugandans.

Felix Okoboi (Mr.)
Board Chairman

> "
>
> The Board remains committed to its remit, providing the requisite oversight that assures sustainability of the Bank. The Board will continue to focus UDB on the path to attainment of the Bank's mission of accelerating socio-economic development

GOVERNANCE STATEMENT

The Bank regularly reviews its director skills, experiences and competencies, knowledge as well as diversity requirements including age, gender, and ethnicity to ensure the Board meets current and future strategic needs of the Bank

Overview

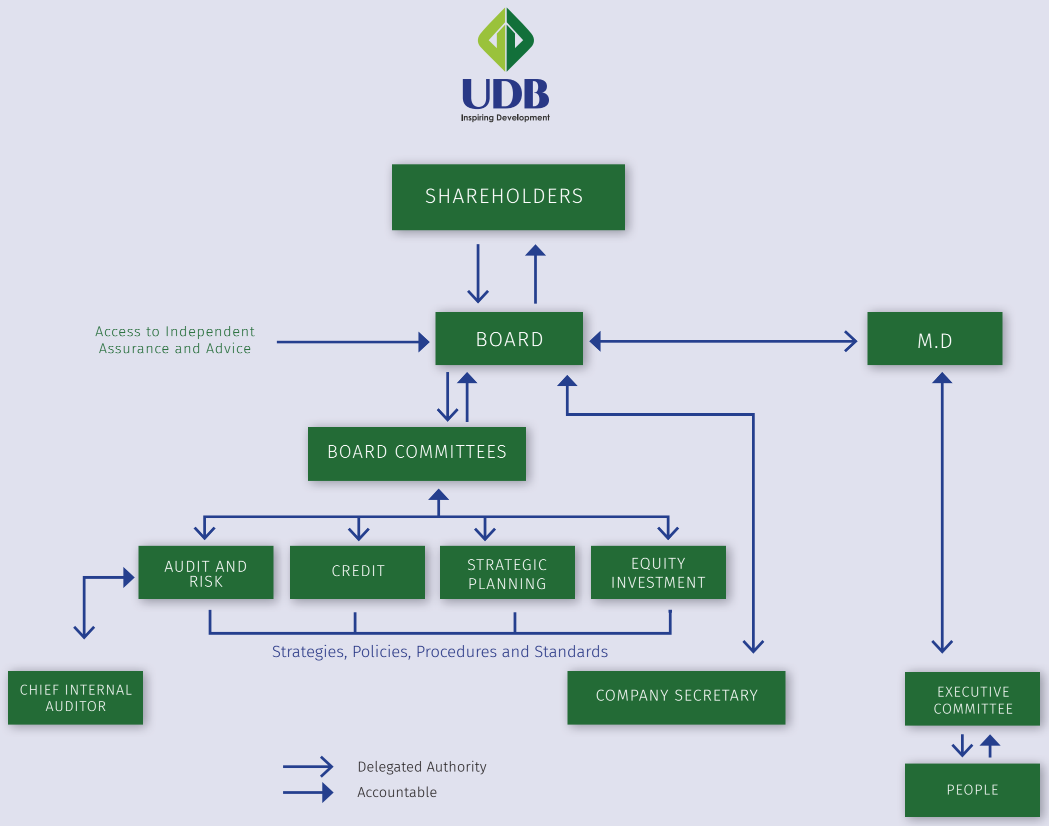
This report demonstrates Uganda Development Bank Limited's commitment to the highest standards of corporate governance as well as compliance to applicable legal, statutory, and regulatory requirements. The Board of Directors and Management remain committed to ensuring that the Bank's operations and processes are executed with fairness, accountability, responsibility, and transparency. Adherence to sound governance practices is paramount in ensuring effective decisions are made to protect the Bank's interests, enhances shareholder value, attracts the right human capital as well as investment/development partners, maintains goodwill with all stakeholders and fosters public confidence in the Bank's product and service offering.

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 affairs of the Company. The Directors are accountable to the shareholders for the performance and management of the Company. The Board Charter stipulates the Board's authority, responsibility, membership, and operating guidelines as well as the relationship between the Board and Management of the Company.

> “
>
> UDB's resilience for sustainability involved adjusting to new challenges posed by significant local and global incidents

Bank's Corporate Governance Structure and Division of Responsibilities at a Glance



Role of the Board

The Board is responsible for setting the strategic direction of the Bank, in a manner that maximizes 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 objectives, budget, and ensures resources are available for the implementation of the strategy.
- Is responsible for the appointment, removal, remuneration and performance review of Senior Executives, maintaining a sound system of risk management and internal controls which provide reasonable assurance on the achievement of organizational objectives and adequacy of the Bank's processes/operations; it ensures the Bank is ethically operated and complies with all relevant laws, regulations, codes of business practice, and good corporate governance practices.
- Approves policies, sanctions any amendments or waivers thereof and endorses the financial statements. The Board is responsible for establishing a Communications Policy and overseeing the process of disclosure and communication.

> "The Board of Directors and Management remain committed to ensuring that the Bank's operations and processes are executed with fairness, accountability, responsibility, and transparency

Delegated authority to the Managing Director

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 directly 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 and policy recommendations, implementation of policy decisions, managing 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.

GOVERNANCE

Board Structure and Composition

Appropriate structures are in place to effectively govern the business. The size of the Board of Directors is articulated in the Articles of Association. The Board of Directors is currently constituted of 7 members, 6 of whom are non-executive directors and 1 executive director.

BOARD STRUCTURE AND COMPOSITION				
Board of Directors	**Board Credit Committee**	**Board Strategic Planning Committee**	**Board Audit and Risk Committee**	**Board Equity Investment Committee**
Responsible for the Bank's overall performance.	Considers and approves Credit transactions within the Committee's threshold and oversees credit risk and portfolio.	Responsible for the strategic direction and performance of the Bank, compensation policies, human resourcing plans and knowledge management.	Monitors the adequacy of financial controls and reporting, liquidity, internal control environment, and enterprise risk management.	Provides strategic direction and oversight over the Bank's equity asset portfolio and all equity activities including approval of investment projects.

Committee membership and number of meetings attended					
	Full Board Meeting	**Board Credit Committee**	**Board Strategic Planning Committee**	**Board Audit and Risk Committee**	**Board Equity Investment Committee**
Number of meetings	**8**	**13**	**4**	**6**	**3**
Mr. Felix Okoboi	7**	N/A	N/A	N/A	N/A
Mr. Francis Tumuheirwe	8	N/A	N/A	6	1**
Mrs. Rita Akot Apell	8	N/A	4**	6	N/A
Mr. Joe Busulwa Kayongo	8	13**	N/A	N/A	1
Dr. Albert Richards Otete	5	N/A	N/A	3**	N/A
Mr. Bob Bonabo Munene	5	4	1	N/A	N/A
Mrs. Patricia Ojangole	8	13	4	N/A	3
Mr. Henry Magino	2***	N/A	N/A	3**	N/A
Mr. John Byaruhanga	2***	6	3	N/A	2**

** Chairperson of the Meeting or respective committee

*** Retired from the Board. (Mr. Henry Magino and Mr. John Byaruhanga retired on 21st May 2023 and 7th August 2023 respectively)

The Board recognises the contribution of the Non-Executive Directors who constructively challenge Management's ideas and proposals, as well as scrutinises their performance. The Non-Executive Directors provide independent thought and judgment to the deliberations and act in the best interest of the Company. Additionally, they develop proposals on strategy, satisfy themselves on the integrity of financial information, internal controls, and risk management systems.

The Executive Director ensures implementation of the strategy as well as Board resolutions/directives and provides useful insight and perspective of the business at meetings facilitating quality discussions which is critical for decision making.

Board Expertise, Experience and Diversity

The Bank regularly reviews its director skills, experiences and competencies, knowledge as well as diversity requirements including age, gender, and ethnicity to ensure the Board meets current and future strategic needs of the Bank. The Board is comprised of individuals with high integrity, expertise, skills and independence required to deliver the Bank's Strategy and High Impact Goals. These diverse attributes ensure a varied line of thought during discussions to make informed and balanced decisions. It also contributes to a culture of collaborative and constructive discussion in the boardroom.

The Bank has positioned itself as a key driver for provision of sustainable financing as well as development across the country and is implementing various standards under the Sustainability Standards Certification Initiative (SSC1) version 2.0. The Bank continues to adopt a holistic approach to sustainability which aims to ensure long term success of the business while achieving high economic, social, and environmental impact.

The Sustainability standards recognize the importance of competencies and diversity required to achieve and maintain the status of a sustainable certified financial institution and requires the Board of Directors to assess its competence and diversity matrix which informs the skills and diversity status of the Board of Directors.

The standards require the Board of Directors to attain diverse competencies to achieve sustainable innovation. The Board should constitute competent members with diversity in areas of social and economic impact development and environmental protection within the Board and across the organization as well as cater for gender, ethnicity and age.

Board Competency and Diversity Matrix

The Bank's Articles of Association stipulates the skills necessary for effective execution of the Bank's mandate and strategy including a good appreciation of social, economic development and environmental issues, Finance, Audit, Risk and 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:

- Adequacy of the skills relevant to development banking including Credit and project management, Risk, Finance, Equity, Strategy, Human resource, Legal, Information technology and Social as well as Economic expertise.
- Succession Planning to determine the skills required to operate in the future.
- Board development to enhance specific skills and maintain up to date knowledge.
- Gaps to identify new skills necessary for delivering the Bank's mandate.

The Chairman Board Uganda Development Bank Mr.Felix Okoboi, the Managing Director Ms. Patricia Ojangole and the Company Secretary Ms.Sophie Nakandi during the 2022 Annual General Meeting.

Director Name	Directors Expertise													Diversity					
	Legal /Regulatory	Environmental, Climate & Natural Resources	Accounting& Auditing	Financial Services	Strategic Planning	Private Equity	Risk & Compliance	Human Resource & Labour Relations	Credit and Project Management	Corporate Governance	Information Technology & Digitalization	Socio-Economic Development	Years of Professional Experience	Ethnicity or religious Minority (Yes or No)	No. of Languages Spoken other than the main national language	Age	From Marginalized Community or Structurally Weak Region (Yes or No)	Disability (Yes or No)	Gender
1. Mr. Felix Okoboi	Yellow	Yellow	Green	Green	Blue	Green	Blue	Blue	Blue	Blue	Yellow	Blue	29	No	4	54	No	No	M
2. Mrs. Patricia Ojangole	Yellow	Yellow	Green	Green	Green	Yellow	Blue	Blue	Blue	Blue	Yellow	Green	22	No	3	45	No	No	F
3. Mr. Francis Tumuheirwe	Grey	Blue	Blue	Green	Green	Blue	Green	Blue	Green	Green	Grey	Green	40+	No	5	68	No	No	M
4. Mr. Albert Otete	Yellow	Blue	Green	Green	Green	Blue	Green	Yellow	Blue	Green	Green	Blue	31	No	2	53	No	No	M
5. Mr. Joe Busulwa Kayongo	Grey	Grey	Blue	Yellow	Yellow	Yellow	Yellow	Grey	Green	Yellow	Grey	Blue	40+	No	1	74	No	No	M
6. Mrs. Rita Akot Apell	Grey	Grey	Yellow	Yellow	Blue	Grey	Blue	Blue	Yellow	Yellow	Green	Grey	22	No	1	50	No	No	F
7.Mr. Bob Munene	Yellow	Blue	Blue	Green	Green	Yellow	Green	Blue	Green	Blue	Yellow	Blue	14	No	4	39	No	No	M

Legend:

Grey	I do not have experience of any kind	None
Yellow	I have limited Experience	Low
Blue	I have had line responsibility and feel fairly comfortable	Medium
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 2 females and 5 males with an average of over 28 years of experience, the lowest being 14 years and the highest being over 40 years.

iii. The Board is balanced in terms of age ranging from 40 to 70 years with an average of 54 years.

iv. The members are from different parts of the country although the ethnicity mix can be improved.

v. None of the members hails from either minority groups or marginalized/structurally weak regions.

vi. The Board remains sufficient in composition to support the Bank achieve its mandate.

vii. The competency threshold requires all members to have moderate/medium expertise and experience in the specialized 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.
- *Legal and regulatory matters* – no member had this expertise and experience, although support from the Company Secretary who is a professional lawyer and governance professional is available.
- *Technology and digitalization* – 2 members possess the experience.
- *Diversity* – only 2 of the 7 members are female. The Articles of Association prescribe 3 members (40%) should be female.

In a bid to address the gaps, the Bank has developed an Annual Board Training and Development Plan to be undertaken by the directors. The Board has the discretion to appoint Board Advisors who are Subject Matter Specialists to support them discharge their duties effectively. To ensure effective Board succession, the sitting chairperson formally notifies the shareholders of composition gaps on the Board and makes recommendations for consideration and decision by the shareholders.

As at 31st December 2023, 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 provides stewardship and ensures the Board composition, is of sufficient size, and balance in terms of skills, experience, independence, and knowledge. He also ensures plans are underway for an orderly and seamless succession on the Board. The recruitment process for a Non-Executive Director commences with creation of a candidate profile and a search for possible candidates. Shortlisted director candidates are required to confirm that they will have sufficient time and capacity to undertake the director role.

Director appointments and re-appointments are a preserve of the Shareholders and is 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. Nominated Candidates with high integrity, experience, and skills necessary to deliver the Bank's mandate and objectives are subjected for vetting by Bank of Uganda prior to formal appointment.

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 are required to 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 are required to serve the Board for an initial term of three (3) years and are eligible for re-election for one further term of three (3) years subject to satisfactory performance.

The shareholders appointed two (2) directors during the reporting period:

Dr. Albert Richards Otete was appointed an Independent Non-Executive Director on the Board of the company on 22nd May 2023 in accordance with Articles 60, 61 and 62 of the company Articles of association. Dr. Otete is currently a Partner at J. Samuel Richards & Associates, Certified Public Accountants licensed and regulated by the Institute of Certified Public Accountants of Uganda (ICPAU). He holds a Doctorate degree in Business Administration, a Master of Business Administration and a Bachelor's degree in Commerce. He is also a member of the Institutes of Certified Public Accountants of Kenya and Rwanda. He has over 33 years' experience in accounting, auditing, taxation, information technology, insolvency and general business consulting garnered during his employment at PwC, KPMG, and Standard Bank Group.

The Board is responsible for setting the strategic direction of the Bank, in a manner that maximizes shareholder value over the long term

His experience at Board oversight level includes being a member of the Finance, Planning and Administration Committee at ICPAU. Prior to that, he was a member of the Professional Standards Committee and the Education & Research Committee at ICPAU. Dr Otete is a Non-Executive Director at Finance Trust Bank Limited and was previously a Director at the National Information Technology Uganda (NITA-U). He is currently a Board advisor at National Social Security Fund (NSSF) and previously was a Board advisor at Uganda Development Bank Limited. He also spent six years as a member of the Public Sector Audit Committee for the Education and Social Services Sector under the Office of the Internal Auditor General.

Dr Otete is a Certified Information Systems Auditor, a Certified Information Security Manager and has supported Board with implementation of Information Technology Governance. He is a member of the League of East African Directors (LEAD).

Mr. Bob Bonabo Munene was also appointed a Non-Executive Director on the Board of the company pursuant to articles 60, 61 and 62 of the articles of association. Mr. Munene is an economist with an extensive experience in Development Economics, Finance and Public Sector Management, and has served in various positions at the Ministry of Finance, Planning and Economic Development for the last 15 years. He is currently a Principal Economist and heads the Banking Section under the Financial Services Department. Previously as a Senior Economist, he worked under the Infrastructure Social and Services Department in the Ministry of Finance, Planning and Economic Development as a budget officer for a few Ministries, Agencies and Departments.
He is currently a council member of the Uganda Institute of Banking and Financial Services representing the Ministry of Finance, Planning and Economic Development.

Mr. Munene, holds a Bachelor of Science in Statistics and Economics from Makerere University, Master of Science in Development Economics from Uganda Martyrs University, Masters of Business Administration (MBA) from East Southern Africa Management Institute (ESAMI). He is currently pursuing a PhD in Economics from the University of Western Cape, South Africa.

The Board, Executive Committee and Shareholders during the 2022 Annual General Meeting.

Following the appointment of the new Directors, Mr. Henry B. Magino and Mr. John Byaruhanga formally retired from the Board after serving for 2 terms. Mr. Magino and Mr. Byaruhanga were Committee Chairpersons on the Board Audit and Risk Committee and Board Equity Investment Committee respectively. The Bank appreciates the retiring directors for their outstanding contribution.

The Company also has the pleasure of notifying its esteemed stakeholders that Mr. Felix Okoboi and Mr. Francis Tumuheirwe are due to retire from the Board of Directors on 31st July 2024 having served for two-terms. Mr. Felix Okoboi has provided overall strategic leadership to the Board for the past 6 years and his contribution remains invaluable to the Bank. Mr. Francis Tumuheirwe chairs the Equity Investment Committee and is a member of the Audit and Risk Committee of the Board. The Bank appreciates the directors for their outstanding contribution.

The Bank will engage the shareholders and recommend possible replacements for the retiring directors. As is the practice, the retiring directors would continue to serve the Bank until vacant director positions are filled. An approval request to this effect shall be formally made at the AGM.

Induction and Professional development

Newly onboarded directors participate in a formal induction process which is either internally or externally facilitated and coordinated by the Company Secretary. The induction process enables an 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 as well as site visits to the Bank's premises. The program is regularly reviewed to ensure its adequate and contains relevant developments. In future, the Company shall explore Director Mentorship, where newly onboarded directors shall be paired with the executive director and some members of Senior Management to enhance their appreciation of the Bank's business.

The Chairperson with support from the Company Secretary regularly reviews Directors' training needs and arranges appropriate development programs so that directors update their knowledge as well as skills in a bid to remain effective and make valuable contributions to the Bank. Trainings undertaken during the reporting year include Leadership Governance and Risk management for Board members, Fintech Resilience & Sustainability Training Course and Strategic Leadership and Governance Course

Board Evaluation

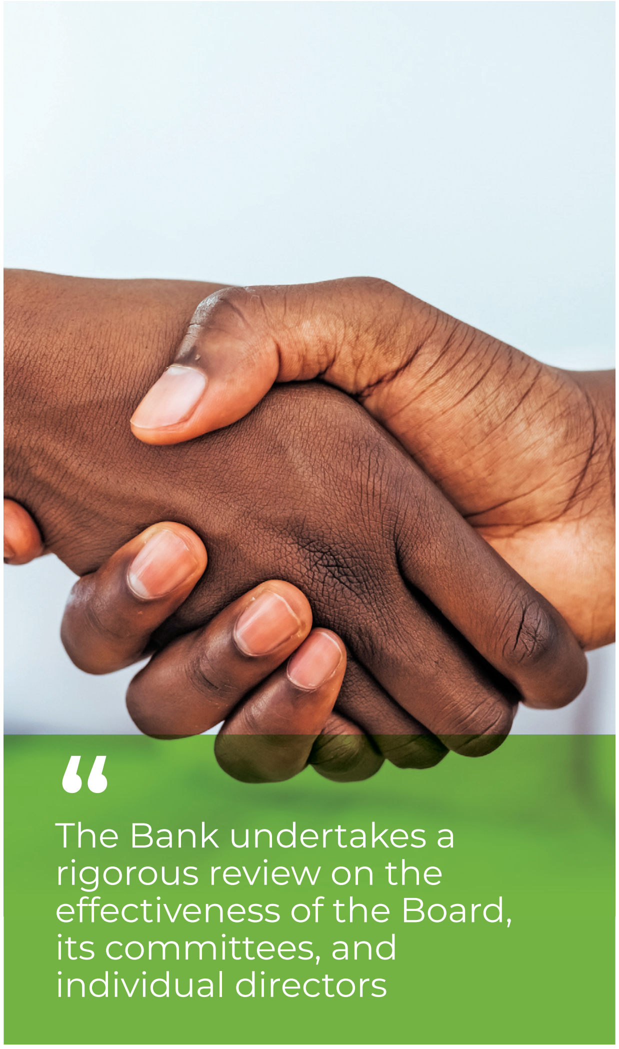
The Bank undertakes a rigorous review on the effectiveness of the Board, its committees, and individual directors as well as the Company Secretary. Board evaluation assesses whether the Board remains effective in carrying out its mandate, and whether individual directors continue to make quality contributions at meetings and continue to demonstrate a commitment to their director roles as well confirm sufficient teamwork at Board level. The evaluation exercise for the year ended 31st December 2023 was outsourced to BNM Advocates. The exercise was concluded and results as well as areas for improvement were presented to the Board. An action implementation plan was created.

Board Meetings

The Board meets at least 4 times in a year and holds annual strategy sessions including any Special Board meetings required to attend to urgent business. During the period ended 31 December 2023, the Board of Directors convened 8 times. The Board approves an annual calendar to facilitate planned Board activities including meetings. Papers are circulated at least four days before the meeting. 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.

Digital Technology

The Corona virus (COVID-19) created an opportunity to exploit and optimise the digital strategy. The Board continues to rely on its digital platforms to conduct business in a seamless and efficient manner. Board papers are circulated to the directors through a secure portal known as *Convene*. The electronic mode of operation preserves the green environment with reduced paper use and carbon emissions. The risk of cybersecurity remained a key focus area for the Board during the reporting period and effective internal controls were established to protect the Bank's data.



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, legal and regulatory frameworks.

The Board periodically reviews the composition of its committees as part of the Succession planning process. During the period under review, the Board restructured the Board Equity Committee and Board Strategic Planning Committee following the retirement of Mr. John Byaruhanga.
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 plays an advisory role in the remuneration of staff and non-executive directors. The Board ensures the remuneration packages are appropriate to attract and retain high quality talent. Non-Executive Directors are paid a monthly retainer and sitting allowance for the meetings attended. No performance-based remuneration is paid to the Non-Executive Directors.

In an effort to ensure that 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. During the period ended 31 December 2023, the Directors were remunerated as follows:

Job Title	Monthly retainer	Sitting allowance
	UGX.	UGX.
Board Chairperson	4,500,000	1,250,000
Member of the Board	3,500,000	1,000,000

Members of Management pose for a photo with select Board Members after a Board induction session.

Board activities

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

Matters	Focus area
Strategic matters	• Held a two-day offsite Annual Strategy meeting in November 2023 to review the Bank's overall strategy, performance on annual business plans and budgets, the culture and the Bank's capabilities and resources. Additionally approved the 2024 business plan and budget. • Regularly reviewed the impact of macro-economic indicators, global events, and trends on the business, including likely risks affecting the business. • Regularly reviewed and approved policies. • Considered and approved the roll out of two additional Regional Business offices for commercial and strategic outreach to varied stakeholders in Mbale and Hoima regions. • Reviewed the Bank's funding plans, expenditure and investment requirements. • The Board approved the procurement of an independent Funding Transaction Advisor to support the Bank's plans to diversify its funding sources including venturing into the international capital markets and onboarding new multilateral and bilateral organisations
Assurance and Risk management	• Considered reports on all material legal matters including recent regulation, key developments in the governance, legal and regulatory space, reciept of updates on cost matters.. • Reviewed the integrity of the financial statements, approved the annual report, and authorised key corporate filings. • Regularly reviewed the internal and external audit reports and held Management accountable for outstanding audit issues. • Considered the findings from the External Quality Assurance review process undertaken by M/s. KPMG Auditors. • Reviewed the adequacy of the internal controls and risk management systems.
Environmental Social and Governance matters	• The Board maintained its oversight role by ensuring that all approved transactions for financing conformed to the Bank's Environmental and Social Policy, National and International Environmental and Social standards, and requirements. • Participated in the launch of the Climate Finance Facility with seed capital of UGX50 Billion. • Reviewed reports on employee engagement, welfare, and wellness. • Participated in the launch of the Cultural Transformation journey to achieve the Bank's desired culture. The new culture is premised on the following pillars: L- *Inclusive and impactful Leadership*, E- *Excellence,* A- *Agility,* P3- *People First, Personal Accountability and Purpose Driven* (LEAP3, TWENDE PAMOJA!!! Tagline). • Received performance updates from the governance function on implementation of all governance issues.
Stakeholder Engagement	• Meetings and workshops were undertaken with key stakeholders including shareholders, Permanent Secretary to the Treasury, Cabinet representatives among others. A Stakeholder Engagement Management Plan will be approved and implemented in 2024. • Several projects funded by the Bank were visited and assessed on project management performance. • Engagements at regional Business Clinics and symposiums.

Conflict of Interest

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 are required to act in good faith and in the interests of the company by treating shareholders equally, avoiding conflicts of interest, declaring any conflicts of interests, not making personal profits at the company's expense, nor accepting benefits that compromise them.

The Board has established procedures for managing conflict of interest. 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.

Declaration of conflict of interest is a standard agenda item at all meetings before business is considered. A conflicted member excluded from the decision making of the items where they are conflicted. The Company Secretary maintains a Register of Interests and no material conflicts were reported during the period. 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.

Compliance with the Governance Framework, Codes and Regulations

We recognize and accede to the principals 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 Audit and Risk Committee receives quarterly reports on the status of compliance risk management in the Bank and significant areas of non- compliance. These are subject to 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 principals of good corporate governance in all its dealings. The Company Secretary monitors the international and local governance trends and development to ensure the existing culture within the Bank 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.

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 and lawful behaviour and professional conduct and understands that its reputation depends on the integrity of its Board members, Senior Management, and all staff.

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>
> 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

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 in 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 principals of Good Corporate Governance, not to make improper use of any information acquired by virtue of 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 to the Code of Conduct, Bank policies or regulation are required to be promptly reported and dealt with accordingly.

State Minister of Finance for Investment and Privatization Hon Evelyn Anite (R), the Board Chairman UDB, Mr. Felix Okoboi and Board Member Mr. Henry Magino during the 2022 Annual General Meeting.

Engagement with Shareholders

Positive dialogue with its shareholders builds mutual trust, which is critical for achievement of the set goals, mandate, and strategy. The Annual General Meeting provides a forum for the Board to engage shareholders and report on the annual performance. Shareholders attend the Annual General Meeting to exercise their rights including approving new director appointments, re-appointment of directors, approval of the audited accounts, approval of director fees and approval of dividends or in the alternative, a re-investment of the net profits.

> "The Bank values open and positive dialogue with its shareholders. To build mutual trust and respect.

BOARD COMMITTEE REPORTS

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). 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 the 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 as well as increased financial returns to the Bank.

As at 31st December 2023, approvals registered were UGX15.2 Billion. A significant number of approvals for the year were in the Manufacturing sector with a total investment of UGX15.1 Billion in the businesses. Key achievements of the Board Equity Investment Committee included: approval of investments. Additionally, 2 investor directors were appointed to represent the Bank's interests in the investee companies. The Committee reviewed its terms of reference.

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 Director Investments, Director Credit and Director Risk are invitees to all meetings held. The Board is satisfied with the collective skills of the members of the BCC.

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, reviewed lending policies and the implementation of the policies commensurate with specified risk appetite, including loan approval authorities, the delinquency trends as well as collection strategies and recommended write-off of specific accounts for Board approval. Key policies reviewed included: Expected Credit Loss, and Credit Policy (Financing guidelines for foreign owned entities.

UGX 15.2 Bn

approvals were registered under Equity Investments as at 31st December 2023

The Bank signed a loan Portfolio Guarantee agreement with the African Guarantee Fund to scale up lending to SMEs, women and youth owned businesses as well as green projects with credit worth UGX16 Billion. The facility line includes a Capacity Development component worth USD50,000 to facilitate training and capacity development under the Bank's Business Accelerator for Successful Entrepreneurs Unit.

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 in the excess of UGX1.5 Billion only and convenes as and when required to consider credit applications falling within its mandate. As at 31st December 2023, the Committee approved loans worth UGX691 Billion. Details of these and other transactions are provided in the sustainability section of the Annual Report. The Committee held a total of 13 meetings, details indicated on page 18.

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 invitees at the meetings. The BSPC membership consists of appropriate skills, knowledge, experience and is of sufficient size relevant to the Bank needs. The Committee's specific responsibilities as per the Charter include the following:

- Oversight on matters affecting the Bank's human resource policies.
- Assisting the Board in determining the remuneration policy for Executive directors and Senior Management and maintaining oversight over the Bank's remuneration philosophy.
- Ensuring that the right caliber of Management is recruited and retained.
- Setting performance-related incentive schemes, performance criteria, and measurements.
- Oversight on the implementation of the Banks' Information technology and digitization Strategy.

During the year, the Committee considered various strategic issues including the following:

- An evaluation of the Bank's Executive and Senior Management's performance.
- Approved the 2023 Organizational Structure and Staff Establishment of a total of 156 staff. The recruitments ensured the Bank continued to deliver on its mandate and achieve its strategy.
- Approval of Policies including the Corporate Social Responsibility policy, Innovation Policy, Communications Policy, Human Resources Policy, Records Management Policy, and Data Management Strategy.

The Bank signed a loan Portfolio Guarantee agreement with the African Guarantee Fund to scale up lending to SMEs, women and youth owned businesses as well as green projects with credit worth

UGX16 Billion

The Committee held 4 meetings during the year and details of the attendance are indicated on page 18.

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. Until May 2023, the Committee was supported by a Board Advisor, Mr. Albert Richards Otete who became a substantive Board member. The Chief Internal Auditor, Director Finance and Business Operations, Head Legal and Director Risk are invitees at the meetings.

During the year, the Committee assisted the Board fulfil its oversight responsibilities on the evaluation of the adequacy and efficiency of accounting policies, challenging the integrity of financial reporting, internal controls, and risk management, including the determination of how principals 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.
- Expected Credit Loss
- Management and Audited accounts
- Risk Appetite Statement
- Approved Policies including policy amendments namely: Operational Risk Policy, Environmental and Social Risk Policy, Business Continuity Management Policy, and Finance Policies.

The Committee held six (6) meetings during the period as indicated on page 18.

Internal Control

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

The Committee confirms that the internal accounting controls were adequate to ensure the financial records are reliable in preparation of the Annual Financial Statements, that accountability for assets and liabilities was maintained due to sound accounting policies supported by reasonable and prudent judgments and estimates. The BARC obtained assurance that the internal controls of the Bank 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 on a quarterly basis and assesses the effectiveness of the Internal Audit Function. The BARC reviewed and approved the Internal Audit Plan which was fully implemented during the period.

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 program that includes both internal and external assessments at three fundamental levels namely Internal Audit Engagement, Internal Audit Activity, and External Perspective.

M/s. KPMG Advisory Services Ltd was contracted during the reporting period to undertake the external quality assurance review and the overall objective of the assignment was to assess whether the Bank's Internal Audit Function conformed with the IIA International Professional Practices Framework (IPPF) and benchmark their practices against peers, industry, as well as innovative appropriate frameworks. M/s KPMG Advisory Services Ltd found that the Internal Audit Activity Generally Conformed with the IIA Standards and was well positioned and supported to execute its mandate as laid out in the BARC approved internal audit charter. The Internal Audit function provided independent assurance to the Board through the Audit and Risk Committee and the Executive Committee, as well as reasonable assurance and advisory services to the business. The Function was competent, professional, and had experienced staff as well as defined policy manuals to guide internal audit activities in line with the IPPF and successful practices.

External Auditor

In accordance with the Law, the Bank's principal external auditor is the Auditor General. The Auditor General delegated the 2023 external audit exercise to M/s. Deloitte and Touche at the 10th Annual General Meeting of the company held on 20th October 2023. This is the last audit exercise to be conducted by the firm.

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

> "The Committee confirms that the internal accounting controls were adequate to ensure the financial records are reliable in preparation of the Annual Financial Statements

audit plan for the financial year ended 31 December 2023. 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 endorsement of the 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. The Auditor General shall appoint new external Auditors for the 2024 audit exercise. The Board and Management appreciate M/s. Deloitte and Touche for the professionalism exhibited during the 3-year audit period. Their advisory ensured the Bank improved its internal control systems and overall effectiveness.

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.
- Reviewed areas of significant judgements and estimates in the Annual Financial Statements; and
- Received and considered reports from the Internal Audit Function.

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 fashion, supports all Board and Committee meetings, designs tailored Board induction programs 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 fulfils a dual role as Secretary on the Board and General Counsel on the Executive Committee of the Bank.

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 Standard

BOARD OF DIRECTORS

As at 31st December 2023

Mr. Felix Okoboi
Board Chairperson

Master of Engineering, (Architecture) Aachen University of Technology; Master of Arts in International Studies, University of Pennsylvania; Master of Business Administration (Finance), University of Pennsylvania.

Age: 54 Appointed: 2018

Directorship in other institutions: Chairman, Investment Committee of Yield Uganda Private Equity Fund; Chairman Britam Insurance; Non-Executive Director East African Breweries PLC.

Other roles: Board Advisor for National Social Security Fund; Apex Member of the Financial Markets Development Committee of Bank of Uganda.

Ms. 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: 45 Appointed: 2018

Directorship in other institutions:- 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: 50 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; Certified Information Systems Auditor; Certified Information Security Manager; Member of the League of East African Directors (LEAD)

Age:53 Appointed: 2023

Directorship in other institutions:- Finance Trust Bank Limited.

Other Roles: Board Advisor for National Social Security Fund.

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: 74 Appointed: 2022

Directorship in other institutions: Director, Precision Consulting Limited.

Mr. Francis Tumuheirwe Board Member

Master of Science (Economics), Bradford University, United Kingdom; Bachelor of Science (Economics and Statistics), Makerere University

Age: 68 Appointed: 2018

Directorship in other institutions: - Board Chairman Uganda Electricity Distribution Company 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: 39 Appointed: 2023

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

MANAGING DIRECTOR'S STATEMENT

Fostering a meaningful future for Ugandans

The year 2023 witnessed the country's continued growth and recovery, amidst a slight decline in global economic growth, averaging at 3.2%. While the economic environment remained somewhat constrained, characterized by varied shocks including global geopolitical tensions and sluggish productivity growth, the Ugandan economy remained resilient, growing at 4.8% in 2023.

The Bank continued to support the efforts of the Government of Uganda in sustaining economic growth and development, through its various interventions and funding support to qualifying enterprises.

The year 2023 marked the fourth year of implementation of the UDB Strategic Plan 2020-2024. Amidst the myriad of challenges the bank's business faced during the year, the overriding aspirations remained - to offer innovative solutions that address the systemic growth constraints in the sectors of the Bank's intervention, to support the sustained growth of a viable and vibrant private sector whilst anchoring holistic sustainability within the Bank, in support of the Bank's High Impact Goals.

Socio-economic outcomes and impact

Throughout the year, the bank continued to invest its resources in projects that demonstrate the ability to deliver tangible socio-economic outcomes. Resulting from the bank's funding activities, the following development outcomes were realized in 2023:

Employment

51,841 jobs were created/maintained amongst the enterprises that the bank financed, compared to **51,439** jobs realized in 2022. Youth filled upto **33,178** of these jobs (equivalent to **64%**) and constituted 33% of shareholders in the businesses that the Bank funded.

Women accounted for **13,727** jobs and held **39%** in shareholding, increasing from **27%** the previous year. Women constituted **43%** of the senior management teams in these enterprises, increasing from **37%** in 2022. PWD (Persons living with Disabilities) took up **130** jobs.

Supporting Private Sector Performance

The annual output value for companies financed by the bank accounted for 3.2% of the national GPD in 2023, growing from 2.1% and 1.5% in 2022, and 2021 respectively.

This output value grew 71% year-on-year, from UGX3.4 trillion in 2022 to UGX5.8 trillion in 2023, supported by improved production mainly in agriculture and industry. Similarly, the profitability of these businesses improved to UGX869 billion, from Ugx492 billion in 2022. Conversely, the earnings from locally produced-foreign destined products (exports) improved by 47% from UGX649 billion to UGX953 billion, on account of increased production, particularly under the manufacturing and agro-processing sectors.

Tax Contribution

On account of improved output performance and profitability amongst the companies financed by the bank, their total contribution to government tax revenue grew by 60%, to Ugx236.1 billion from the UGX147.5 billion registered in 2022.

Other Impact indicators

It is noteworthy that during the year, up to 66% of all raw materials utilized in enterprises funded by the bank were locally produced.

Ensuring Institutional Sustainability

Scaling Up Investment
During the year 2023, the Bank approved funding in the amount of UGX692 billion, in new loans to over 201 enterprises in 67 districts across the country. These projects, upon full implementation, are expected to create 18,558 new jobs, generate output value of UGX11.4 trillion, from which UGX616 billion will be generated as tax revenue to the Government, and UGX3.34 trillion in foreign exchange earnings. Additionally, the Bank implemented various institutional initiatives to expand its support to various key sectors as well as addressing systemic growth constraints in the economy, including the following.

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> Throughout the year, the Bank continued to invest its resources in projects that demonstrate the ability to deliver tangible socio-economic outcomes.

- **Addressing Climate Change:** The Bank launched a UGX50 billion UDB Climate Finance Facility (CFF) to avail affordable finance for climate-smart agriculture, climate-resilient infrastructure, and low-carbon industries. Through the CFF, the Bank will coordinate interventions to mobilize, structure and provide access to green finance and other tailored products that address market gaps and investment demand in the green sector.

- **Access to Clean Water:** Through a multi-stakeholder partnership, the Bank extended UGX27 billion in funding to enhance water supply and improve water infrastructure especially in scarcity-prone areas; under the program, upto 774 Kms in new water mains extension was realized, 27,307 new water connections realized, and 1,619 new public standpipes constructed to cater for 858 villages across the country.

- **Access to Electricity:** Through a multi-stakeholder partnership, UGX8.1 billion was deployed through the Hybrid Electricity Customer Connection Credit Framework, facilitating 38,833 new connections to the electricity grid country wide.

- **Supporting Local Content:** The Bank launched a UGX150 billion funding allocation to support Ugandan contractors participate in infrastructure projects.

- **Serving the underserved segments:** Under its Special Programs proposition, the Bank continued to focus on expanding its support the Youth, Women and SME segments – with an additional allocation (approval) of UGX21.2 billion in 2023, and disbursement of an additional UGX13 billion to support 108 enterprises across the country.

- **To enhance business resilience and formalization,** the Bank, through its Business Accelerator for Successful Entrepreneurship (BASE), provided business development and coaching programs to 1,485 enterprises nationwide. The Bank also enrolled 291 enterprises to undergo business incubation in 2024. Under the program, 24 farmer groups, consisting of 444 households, and 330 women-led enterprises were also supported. This support is aimed at empowering and fostering the growth of these businesses.

Expanding Reach

- **UDB Service Centers:** The Bank commenced operationalization of its regional representative offices. The inaugural office was opened in Gulu in 2023, with plans underway to open 4 other offices – in Mbale, Hoima, Mbarara and Arua, by mid-2025.

- **Digital Finance:** The Bank is optimizing technology to enhance access to finance. In 2023, in collaboration with partners including UNCDF, FAO, and Ensibuuko (a Ugandan FinTech), the Bank launched the UDB AgriConnect, a novel digital lending solution that facilitates smallholder farmers arranged in Village Saving and Loans Associations (VSLAs) in rural Uganda to access finance from the Bank. Under the initiative, smallholder farmers save and access micro-loans (up to UGX3.5 million) to support essential production activities including the purchase of seeds and other key farm inputs. Launched in April 2023, the Bank deployed over UGX1.0 billion in the pilot phase 2023, to support up to 1,460 beneficiaries in 201 VSLAs, in the Northern and West Nile regions.

Financial Performance

The Board and Management continue to ensure that the Bank remains sustainable, exercising due care and prudence over resource (asset) deployment and ensuring efficiency of the Bank's operations.

During the year 2023, the Bank realized a post-tax (net) profit of UGX 49.8 billion, a 17% uplift from UGX 42.6 billion registered in 2022. This resulted majorly from the sustained growth in the bank's balance sheet, matched by prudent investment in interest-earning assets whilst ensuring lean operations.

Bank Size

The Bank continued to grow in size, with total assets closing at UGX1.67 trillion in 2023, a 10% uplift from UGX1.52 trillion the previous year. Loans and advances (net) stood at UGX1.47 trillion growing 20% from UGX1.22 trillion, underpinned by the UGX610 billion in new loan disbursements realized during the reporting period. To fund creation of these assets, the Bank reinvested UGX467 billion it collected as repayments from its borrowing customers as well as deployed UGX97.3 billion received from the Government as additional capital contributions, complemented by an additional UGX120.5 billion in drawdowns from various lines of credit held with its funding partners.

Efficient Operations

The bank continues to focus on delivering results using lean and efficient operations. In 2023, the cost to income ratio (without impairment), remained subdued at 30.6%, a slight increase from 30.1% in 2022. Relatedly, the return on asset ratio improved to 3.12% from 3.10% in 2022, while and return on equity also improved from 3.73% to 3.82%.

The Bank will continue to leverage its equity to diversify its sources for funding so as to achieve scale, whilst undertaking interventions to optimize its financial, human, technology, and other resources, with the view to bolstering operational efficiency. Similarly, to protect shareholder value, the Bank continues to exercise prudence at business sourcing as a means to proactively manage its credit risk.

Recognition and Awards

In acknowledgment of the Bank's accomplishments in enhancing its operations, governance, and several other parameters, UDB received both local and international recognition in 2023.

- For three consecutive years, the Bank and its Managing Director emerged the Sustainability Leader of the Year at the Karlsruhe Sustainability Awards in Germany, to recognize the MD's exceptional leadership in driving the business performance of UDBL through creating social, economic, and environmental values and globally advancing sustainable finance.

- Credit Ratings: UDB secured a 'AAA (Uga)' National Long-term Rating with a Stable Outlook, the highest rating on Uganda's national scale. This designation, assigned by Fitch Ratings, a globally renowned credit

> The Bank continued to grow in size, with total assets closing at UGX1.67 trillion in 2023, a 10% uplift from UGX1.52 trillion the previous year.

rating agency, was accompanied by a 'B+' Long-Term Issuer Default Rating (IDR) with a negative outlook – the same pegged to Uganda's Sovereign rating, reflecting the Bank's ownership by the Government. These ratings lend credence to the Bank's operations and governance and bolster its borrowing initiatives.

- UDB achieved an A+ rating from the Association of African Development Finance Institutions (AADFI), affirming its leading status as a best-performing Development Finance Institution (DFI) in Africa. This recognition is awarded to AADFI member-DFIs demonstrating excellence in compliance with various prudential standards, particularly in governance, operational efficiency, and financial and institutional performance.

Looking Ahead

As the Bank continues on its journey to embed sustainability in its investments and operations whilst balancing financial sustainability considerations, UDB will in 2024 focus on the following among other priorities:

i) Develop a refreshed strategic plan for the next 5-year period 2025-2029, incorporating national development aspirations and defining alternative approaches for UDB to contribute to Uganda's socio-economic transformation.

ii) Design/explore program-based financing and other approaches and interventions that leverage and develop regionalized ecosystems and tackle localized development challenges.

iii) Expand the scale of its interventions to address the needs of the underserved sections of the community, including the Youth, Women and SME segments.

iv) Support new initiatives to advance Uganda's industrialization, with a focus on enhancing international competitiveness, deepening the country's export potential and performance, and enhancing the uptake of Science, Technology, and Innovation.

v) Deepen the adoption of approaches that engender holistic institutional sustainability, including broadening interventions to prevent/mitigate the adverse effects of climate change.

vi) Continued focus on optimizing the Bank resources to deliver more scale, efficiency, and customer experience.

vii) Through collaborative efforts, the Bank will strengthen its prominent position in development finance thought leadership. Consequently, UDB will develop and optimize impactful partnerships both locally and internationally and leverage best practices to enhance its processes and interventions to better serve the needs of Ugandans.

Appreciation

On behalf of Management and staff, I convey our sincere gratitude to all our stakeholders who continue to support the Bank to flourish. Our pledge to you is to stay true to the Bank's mandate and to continue making tangible contributions towards improving the quality of life of Ugandans.

Our heartfelt appreciation goes to the President of the Republic of Uganda, H.E Yoweri K Museveni, for his invaluable support to the Bank over the years.

I take this opportunity to convey our gratitude to the Bank's shareholders, the Ministry of Finance, Planning and Economic Development, for their unwavering support, and for ensuring that the Bank is adequately facilitated to deliver its role.

I extend our appreciation to the Chairman and the Board of Directors, for their oversight and continued counsel that has seen the Bank continue to grow.

To my colleagues, the Management team, and all staff at the Bank, I heartily commend each and every one of you for your passion in serving our customers and our various stakeholders, and for your unwavering commitment. These virtues are the cornerstone that allows our Bank to thrive and consistently excel.

To our esteemed clients with whom UDB conducts its business, and our funding partners who have supported the Bank, we cherish the continued partnership. We look forward to working together to deliver even more impact in the communities we serve, in 2024 and beyond.

Patricia Ojangole
Managing Director

THE **EXECUTIVE TEAM**

Ms. Patricia Ojangole
Managing Director

- Mphil in Development Finance (cum laude), University of Stellenbosch Business School, South Africa
- MBA, ESAMI, Tanzania
- BCom, Makerere University, Uganda

Mr. Mahamoud Andama
Director Investments

- MBA, Edinburgh Business School – Heriot WATT University, UK
- MA in International Economics and Trade degree, Shanghai University, Peoples Republic of China
- BA of Business Admin., Makerere University, Uganda

Mr. Denis Ochieng
Director Finance and Business Operations

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

Ms. Sophie K. Nakandi
Head Legal and Company Secretary

- Postgraduate Diploma in Legal Practice, Law Development Centre, Uganda
- Masters in Business Law, De Montfort University, UK
- BA of Law, Makerere University, Uganda

Mr. Joshua Allan Mwesiga
Director Strategy and Corporate Affairs

- Graduate Diploma in Modern Management & Administration, Cambridge International College, UK
- MSc Human Resources Management, Herriot Watt University, UK
- BA of Social Sciences, Makerere University, Uganda

Mr. Stephen Hamya
Chief Internal Auditor

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

Mr. Samuel Edem – Maitum
Director Credit

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

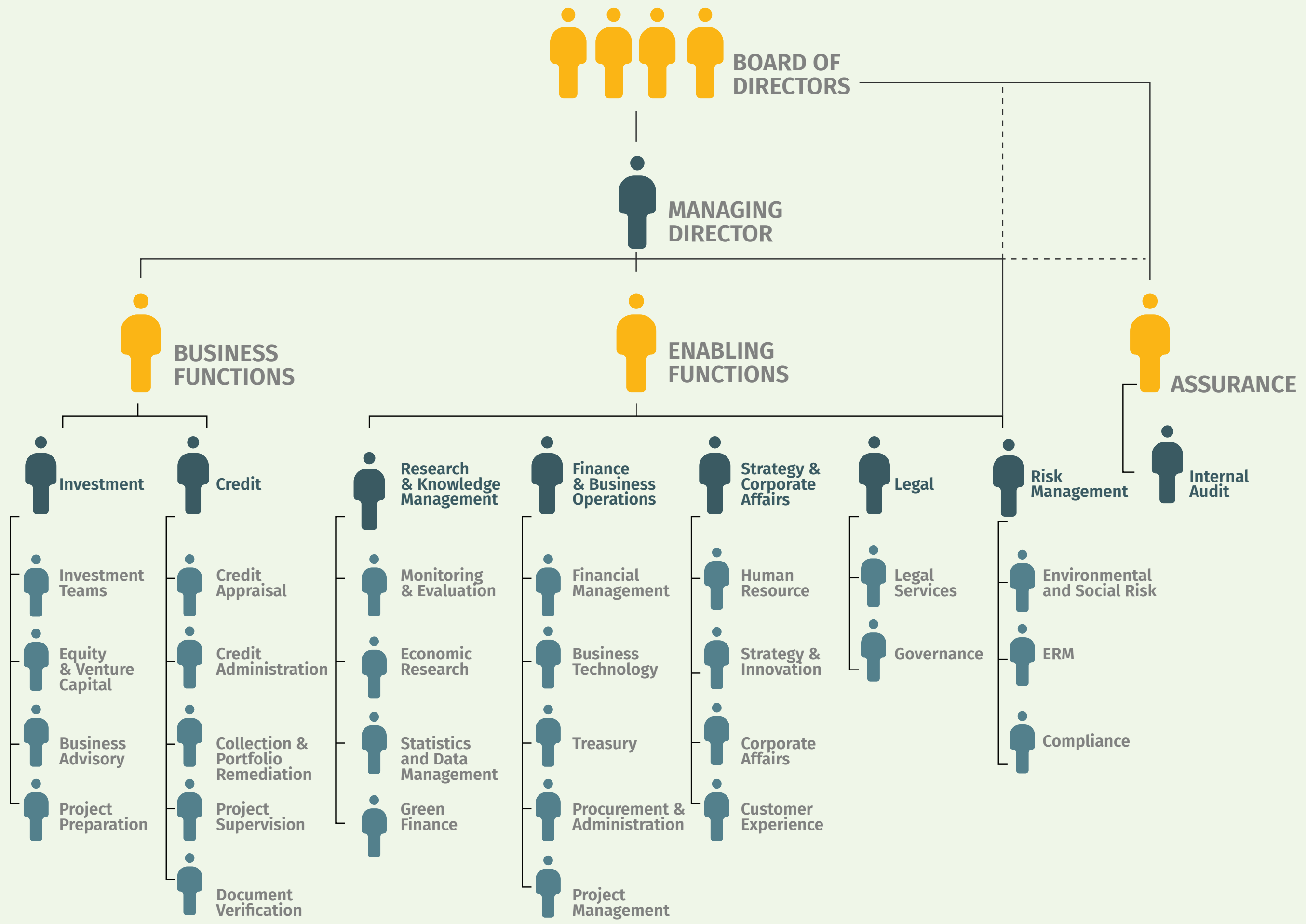
Mr. Sylver Kyeyune
Director Risk

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

Dr. Francis Mwesigye, *Director Economic Research and Knowledge Management*

- PhD and Masters in Development Economics (Policy Analysis Program), National Graduate Institute of Policy Studies, Japan
- BA of Economy, Makerere University, Uganda

ORGANIZATIONAL STRUCTURE



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 catalyze private sector investment and growth

2023 STRATEGIC PERFORMANCE AND 2024 STRATEGIC OUTLOOK

2023 was the fourth year of implementation the Bank's 5-year Strategic plan.

As the country's national Development Finance Institution (DFI), the strategic plan is aligned with the 3rd National Development Plan in terms of focus as well as execution period. Over the strategy period and as part of its sustainability strategy, UDB's interventions are guided by three High Impact Goals (HIGs), which are further underpinned by the Bank's Purpose Statement: "**Improving the quality of life of Ugandans**". These three High Impact Goals are;

YEAR 2023 IN **PERSPECTIVE**

2023 was the Bank's fourth year of implementation of its 5-year Strategic plan and this was achieved through its 2023 Business Plan that broadly focused on achieving a set of eight (8) strategic objectives:

- Implement interventions to support the **emerging industries and sectors** in the economy including oil and gas, creatives industry, and ICT and innovations
- Mobilize appropriate **funding** to deliver the Bank's strategy,
- Improve **organizational efficiency** through mainstreaming data management and reporting, adoption of customer-centric technology solutions, and other organizational arrangements guided by the SSCI Version 2,

"

UDB's proactive approach to risk management involved adjusting to new challenges posed by a number of significant global incidents, along with particular local developments within the country

- Improve **portfolio quality** through enhanced portfolio and relationship management,
- Optimize interventions for **improved development impact** including piloting program-based financing,
- Promote **thought leadership** through the scaling up of various knowledge management practices,
- Enhance **stakeholder experience** through implementation of the stakeholder engagement strategy and the customer experience strategy.
- Foster **employee experience** by supporting competency development through the implementation of a comprehensive learning and growth framework.

During the year, the Bank registered varied successes resulting in institutional achievements as follows;

Facilitating private sector growth

The Bank's sustainability strategy was implemented through forty-two (42) initiatives.

Alignment with National Developement Priorities

Through the investements made during the year, the Bank is poised to contribute to the delivery of 14 programs under NPD 3 (details contained in the table on page 73).

Delivering sustainable development outcomes

- The investments approved during the year are expected to deliver varied development outcomes including; i) Creation of 18,558 jobs, ii) Output value worth UGX 11.4 Trillion, iii) Tax revenues worth UGX615.96 Billion and iv) Foreign exchange worth UGX3.34 Trillion.

Strengthening the Bank's brand equity

- Extension of the Bank's business and visibility through various targeted communication interventions as well as strategic engagements and partnerships including three (3) business clinics in Moyo, Teso, and Arua, and three (3) regional Investment Symposia in Wakiso, Mbarara and Busoga.
- The Bank and its Managing Director, Ms. Patricia Ojangole, were for the third year running, named Sustainability Leader of the Year at the Karlsruhe Sustainable Finance Awards in Germany. This recognition is awarded to individuals and/or institutions that demonstrate commitment to creating real value for all their stakeholders and protecting the environment.
- UDB maintained a National Long-term Rating of 'AAA (uga)' by Fitch Ratings, with a Stable Outlook, the highest attainable on Uganda's national scale and reflects high support propensity by the government. Fitch Ratings also affirmed UDB's Long-Term Issuer Default Rating (IDR) at 'B+' with a Negative Outlook and UDB's Government Support Rating (GSR) at 'b+'.

"The Bank opened its first regional office in Gulu city to expand reach and is poised to open 4 others in Mbarara, Arua, Mbale and Hoima by mid 2025

Addressing climate change

- The launch of the Climate Finance Facility (CFF); a financing vehicle created to mobilize capital and these resources will be directed towards low carbon and climate resilient investments. The CFF will offer structured green products such as green loans, green equity, partial credit guarantees, asset and trade finance, among others.

Promoting financial inclusion

- The Bank, through a partnership with Ensibuuko, European Union, United Nations Capital Development Fund (UNCDF), and Food and Agriculture Organization (FAO) launched the AgriConnect Fintech solution. The solution intended to ease access to digital financing to 1000 smallholder farmers in West Nile, Acholi, and Lango subregions.
- The Bank opened its first regional office in Gulu city to expand reach.
- Under the Business Accelerator for Successful Entrepreneurship (BASE), the Bank provided business development and coaching programs to 1,485 enterprises nationwide.
- 92 projects, worth UGX 21.17 Billion, were approved under the Bank's special program to support underserved segments in the economy including Youth, Women and SMEs.

Improved organizational efficiency

- As part of a continuous organization-wide diagnostic assessment that intends to deliver holistic enhancements to governance, management, policy frameworks and the Bank's overall sustainability strategy, the Bank developed and/or enhanced policies and frameworks including Expected Credit Loss policy, Operational Risk Policy, Data Management Strategy, Statistics and Data Management Framework, Environmental, Social and Governance Risk Policy, Business Continuity Management Policy, Innovation policy, Corporate Social Responsibility policy, Communications Policy, Human Resources Policy, Records Management Policy and Data Management Strategy, among others.
- The Bank onboarded its second cohort of the Graduate Apprenticeship Program (GAP) – a program that will provide hands-on skills development and job opportunities to nascent professionals in a bid to create a pool to adress future talent needs. The GAP is in response to developing human capital and aims at creating sustainable, decent, and meaningful jobs for budding professionals.

Strategic partnership development

- The Bank entered several strategic partnerships including with the Africa Guarantee Fund (AGF) to scale growth of the Bank's Special Programs portfolios under the SME, Women, Youth and green projects.

Global ratings

- The Bank was assigned a national scale issuer private rating by Global Rating Company (GCR), of AA+(UG)/A1+(UG) in the long and short term respectively, a notch below the highest possible rating, with the outlook accorded as Stable.
- UDB, for the sixth consecutive year, achieved the rating of "best-performing DFI" by the Association of Africa Development Finance Institutions (AADFI). The initiative recognizes members who have excelled in compliance with the DFI prudential governance, operational, and financial performance standards.

Increasing shareholder value

- The Bank continues to be a financially sustainable institution and profitable, registering an after-tax profit of UGX49.8Bn as at end of December 2023.

Implementation of the Bank's Sustainability Strategy

In 2023, the Bank set out to achieve a host of other key strategic initiatives. These investments were to be channeled through the Bank's priority areas namely: Agriculture, Industry, Infrastructure, and Services (including Tourism and Hospitality, Health, and Human Capital Development), and delivered through both financial and non-financial offerings – Term loans, Asset finance, structured Trade finance, working capital, Equity investment, Project Finance, Farmer group and value-chain financing models, Business Advisory and Project preparation services.

The anticipated intermediate outcomes from the 247 approved projects in 2023 are shown in the Table below:

Anticipated Intermediate Outcomes From Businesses Approved In 2023	
Impact On Society	
Goal Sub-Category	**1.1: Enhancing the quality of life through safer, better, higher-paying jobs**
Expected Outcomes	• 12,829 (Ex-ante) new direct jobs to be created • Promoting the development of the creative industry • Support to one (1) business
Goal Sub-Category	**1.2: Promoting entrepreneurship and innovation**
Expected Outcomes	Promoting entrepreneurship as an avenue to build sustainable businesses • Support to I32 SMEs • Support to three (3) businesses through equity investment Improving the competitiveness and sustainability of SMEs • Support to forty-eight (48) businesses through the Bank's Business Accelerator for Successful Entrepreneurship (BASE) program
Goal Sub-Category	**1.3: Enabling inclusive prosperity**
Expected Outcomes	Promoting women-owned enterprises • Support to twenty-three (23) women-owned/led businesses Promoting youth enterprise • Support to sixteen (16) youth-owned businesses
Impact On Economy	
Goal Sub-Category	**2.1: Boosting the real economy**
Expected Outcomes	Building sustainable large-scale enterprises • Support to one hundred and fifteen (115) large-scale enterprises Improving access to finance by SMEs • Support to eighteen (18) start-ups Increasing production and productivity of agrifood value chains • Support to fifty-five (55) farms to enhance agrifood production • Support to five (5) enterprises to construct post-harvest infrastructure • Support to forty-seven (47) agro-processing industries • Support to twenty-one (21) agro-tech projects • Support to five (50 farm service centers

Anticipated Intermediate Outcomes From Businesses Approved In 2023	
Goal Sub-Category	**2.2: Creating a high-income, internationally competitive future-proof economy**
Expected Outcomes	Supporting the adoption of technology and green transformation • Support to ten (10) large-scale enterprises • Support to fifteen (15) SMEs, including six (6) start-ups Developing smart core infrastructure to lower production costs, enhance competitiveness and facilitate the sustainable exploitation of development opportunities • Support to two (2) smart physical infrastructure projects • Support to five (5) local contractors • Support to one (1) energy project Supporting the establishment of electric mobility • Support to three (3) mobility/ transport projects Establishment of water for production systems thereby supporting yield enhancement and productivity • Support to forty-four (44) water supply projects (includes forty-two (42) Valley dams and two (2) private irrigation systems)
Goal Sub-Category	2.3: Building economic resilience
Expected Outcomes	Promoting economic diversification through the development of nascent industries and support import substitution • Support to three (3) businesses in mobility industry • Support to three (3) businesses manufacturing essential goods • Support to two (2) enterprises located within industrial parks Developing the tourism industry • Support to thirty-two (32) enterprises Supporting human capital development interventions aimed at producing an appropriately skilled labor force and improving access to health services • Support to five (5) strategic institutions/ BTVETs • Support to ten (10) healthcare facilities

Strategic Outlook for 2024

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 is aligned with the NDP III.

The 2024 business plan was developed through a rigorous business planning process which included an evaluation of the Bank's operating environment and review past and present performance.

The Bank will seek to achieve five (5) strategic objectives in 2024, namely:

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

These objectives will be realized through the implementation of various initiatives in the sustainability and operational plans.

Summarized graphical representation of the Bank's 2024 Sustainability strategy.

Sustainability Strategy		
Development Impact		
Impact On The Society	**Impact On The Economy**	**Impact On The Environment**
Key Result Areas		
• Enhancing the quality of life through safer, better, higher-paying jobs • Promoting entrepreneurship and innovation • Enabling inclusive prosperity	• Boosting the real economy • Creating a high-income, internationally competitive future-proof economy • Building economic resilience	Achieving climate neutrality through resource efficiency and preserving and enriching biodiversity by the funded businesses
Select Initiatives		
• Implement measures to improve occupational health and safety within businesses funded • Undertake initiatives to ensure social protection within projects funded by the Bank • Promote the development of the Creative Industry • Promote entrepreneurship as an avenue to build sustainable businesses • Implement the enterprise development program to improve the competitiveness and sustainability of SMEs • Promote Women-owned enterprises • Promote spatial equity within the Bank's investment portfolio • Promote Youth enterprise • Implement women-business enterprise development activities •	• Build sustainable large-scale enterprises • Improve the access to finance by SMEs • Increase production & productivity of agrifood value chains • Crowd-in private investment to boost the real economy • Support the adoption of technology and green transformation • Develop smart core infrastructure to lower production costs, enhance competitiveness and facilitate the sustainable exploitation of development opportunities • Support the establishment of electric mobility in Uganda • Finance the establishment of water for production systems • Promote economic diversification through the development of nascent industries and support import substitution • Support the development of the tourism sector • Support human capital development interventions aimed at producing an appropriately skilled labor force and improving access to health services	Implement a framework to mitigate the negative impacts on the environment

OPERATING ENVIRONMENT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ECONOMIC PERFORMANCE FOR 2023 AND OUTLOOK FOR 2024

There is potential for global growth to surpass expectations, driven by factors like accelerated disinflation, a more gradual fiscal support withdrawal, a swift economic rebound in China

External Economic Environment

Global Economic Activity and Outlook

In 2023, the global economy expanded by 3.2%, a decrease from the 3.5% growth seen in 2022. This growth rate is projected to continue at the same pace in 2024 and 2025. The slower pace of expansion, compared to historical performance, is attributed to various factors, including reduced fiscal support, longer-term effects from the COVID-19 pandemic, and geopolitical tensions such as the conflict in Ukraine. Additionally, sluggish productivity growth and increasing geoeconomic fragmentation contribute to the subdued growth outlook.

For advanced economies, growth declined from 2.6% in 2022 to 1.6% in 2023, projected to rise to 1.7% in 2024 and 1.8% in 2025. In the United States, growth rose from 1.9% in 2022 to 2.5% in 2023, projected to increase to 2.7% in 2024, before slowing to 1.9% in 2025, due to gradual fiscal tightening and a softening in labor markets impacting aggregate demand. The euro area experienced a decline in growth from 3.4% in 2022 to 0.4% in 2023, with a projected recovery to 0.8% in 2024 and 1.5% in 2025. Factors such as reduced exposure to the conflict in Ukraine, diminishing energy price shocks, and easing inflation are anticipated to drive this recovery, particularly through increased household consumption.

Among other advanced economies, the United Kingdom saw growth decelerate from 4.3% in 2022 to 0.1% in 2023, with a projected increase to 0.5% in 2024 and 1.5% in 2025 as negative effects from high energy prices diminish and disinflation facilitates improved financial conditions and real incomes. In Japan, output grew from 1.0% in 2022 to 1.9% in 2023 but is expected to slow to 0.9% in 2024 and 1.0% in 2025 due to the fading of supportive one-off factors, such as a surge in inbound tourism.

> “
> If global growth turns positively, it could boost demand for Ugandan exports, contributing to economic expansion. The country must navigate potential risks such as commodity price fluctuations

For emerging market and developing economies, growth rose from 4.1% in 2022 to 4.3% in 2023, anticipated to remain stable at 4.2% in 2024 and 2025. China's growth increased from 3.0% in 2022 to 5.2% in 2023 but is projected to slow to 4.6% in 2024 and 4.1% in 2025 due to waning effects of post-pandemic consumption boosts and ongoing weaknesses in the property sector. India's growth rose from 7.0% in 2022 to 7.8% in 2023, remaining strong at 6.8% in 2024 and 6.5% in 2025, driven by robust domestic demand and a growing working-age population. Russia's economic growth shifted from a -1.2% contraction in 2022 to a 3.6% growth in 2023 but is expected to decline to 3.2% in 2024 and 1.8% in 2025 as the effects of high investment and robust consumption fade. Brazil's economic growth decreased from 3.0% in 2022 to 2.9% in 2023 and is forecasted to moderate to 2.2% in 2024 and 2.1% in 2025 due to fiscal consolidation, monetary policy effects, and reduced agricultural contributions.

In sub-Saharan Africa, growth declined from 4.0% in 2022 to 3.4% in 2023 but is projected to increase to 3.8% in 2024 and 4.0% in 2025 as earlier weather shocks subside and supply issues improve gradually (See Table 1).

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

	Actual		Projections	
Year	**2022**	**2023**	**2024**	**2025**
World Output	**3.5**	**3.2**	**3.2**	**3.2**
Advanced Economies	**2.6**	**1.6**	**1.7**	**1.8**
United States	1.9	2.5	2.7	1.9
Euro Area	3.4	0.4	0.8	1.5
Japan	1.0	1.9	0.9	1.0
United Kingdom	4.3	0.1	0.5	1.5
Emerging Market and Developing Economies	**4.1**	**4.3**	**4.2**	**4.2**
China	3.0	5.2	4.6	4.1
India	7.0	7.8	6.8	6.5
Russia	-1.2	3.6	3.2	1.8
Brazil	3.0	2.9	2.2	2.1
Sub-Saharan Africa	**4.0**	**3.4**	**3.8**	**4.0**

Data source: International Monetary Fund (April 2024)

East African Community (EAC) Economic Activity and Outlook

Amidst global economic uncertainties, the East African Community (EAC) continues to grow. In 2023, the EAC's growth soared to 4.4%, marking an uptick from the 4.2% recorded in 2022. This upward trajectory is projected to accelerate, reaching 5.4% in 2024 and 6.1% in 2025. Rwanda is projected to grow at 6.9% in 2024, while Uganda and South Sudan are expected to grow at 5.6% each in the same year. Tanzania and Kenya also maintain steady growth, fueled by increased investments and infrastructural developments. Despite challenges like political conflict in DR. Congo and South Sudan, overall regional integration and concerted economic reforms bolster the EAC's economic expansion (See Table 2).

> "
> In 2023, the EAC's growth soared to 4.4% despite global economic uncertainties

Risks to the Global Economic Outlook

There exists potential for global growth to surpass expectations, driven by factors like accelerated disinflation, a more gradual fiscal support withdrawal, a swift economic rebound in China amid real estate challenges, and the transformative influence of artificial intelligence on productivity and incomes. However, persistent downside risks loom, including commodity price spikes from geopolitical and weather shocks, ongoing core inflation requiring stringent monetary policy, a possible China growth slowdown due to real estate issues, and the potential disruptions stemming from an abrupt shift towards fiscal consolidation.

Table 2: Real GDP Growth Rate and Outlook (%) of East African Community Countries, 2022-2025.

	Actual		Projections	
Year	2022	2023	2024	2025
East African Community (EAC)	**4.2**	**4.4**	**5.4**	**6.1**
Uganda	6.3	4.8	5.6	6.5
Kenya	4.8	5.5	5.0	5.3
Tanzania	4.7	5.0	5.5	6.0
Rwanda	8.2	6.9	6.9	7.0
Burundi	1.8	2.7	4.3	5.4
South Sudan	-5.2	-0.1	5.6	6.8
DR. Congo	8.8	6.1	4.7	5.7

Data source: Data source: International Monetary Fund (April 2024)

Implication for Uganda: Uganda's economy could be impacted by the global outlook in several ways. If global growth remains slow, it may affect demand for Ugandan exports, potentially impacting sectors like agriculture and manufacturing. Reduced growth in advanced economies might lead to decreased foreign direct investment and remittances, affecting Uganda's overall economic activity. On the positive side, if global growth surprises positively, it could boost demand for Ugandan exports, contributing to economic expansion. However, the country must navigate potential risks such as commodity price fluctuations and disruptions from global economic uncertainties, reinforcing the importance of resilience and diversified economic strategies.

Global Trade

Global trade in goods and services remained stagnant in 2023, growing by a mere 0.2%, marking the slowest expansion in the past 50 years outside of global recessions. Goods trade contracted, reflecting declines in key advanced economies and deceleration in emerging markets, the first sustained contraction in 20 years. Despite a rebound in services trade initially, it slowed in the latter half of 2023. Projected for 2024 is a 2.3% trade growth, aligning with global output growth, but the responsiveness of trade to output is expected to remain subdued due to lower investment growth. Geopolitical uncertainty, armed conflicts, and a potential prolonged slowdown in China pose downside risks to the trade outlook. The recent rise in restrictive trade policies and reshoring activities may lead to more fragmented supply chains and slower-than-projected trade growth. The 2024 trade growth forecast has been revised down by 0.5 percentage points, indicating the weakest recovery post-global recession in the past 50 years (World Bank, 2023).

Implication for Uganda: The increased geopolitical uncertainties and trade restrictions could further impede Uganda's trade prospects, requiring adaptive strategies to navigate the evolving global economic landscape

Global Commodity Market Situation

Global Commodity Markets Situation: Year-on-Year Analysis

In 2019, the global average price of crude oil stood at $61.41 per barrel. The subsequent years witnessed substantial price fluctuations. In 2020, it dropped to $41.26 per barrel, reflecting the dual impact of the COVID-19 pandemic and a decrease in global demand. The following year, 2021, marked a rebound in oil prices to $69.07 per barrel, with a further rise to $97.10 per barrel in 2022. However, in 2023, the average price experienced a decline, settling at $80.76 per barrel. Looking ahead to 2024, projections from the World Bank suggest a modest increase to $81 per barrel.

Cocoa prices displayed volatility, commencing at $2.34 per kilogram in 2019 and gradually ascending to $3.28 in 2023. Projections for 2024 anticipate a decrease to $2.90 per kilogram. Arabica coffee prices, starting at $2.88 per kilogram in 2019, rose to $5.63 per kilogram in 2022, with a projected decline to $2.90 per kilogram in 2024. Robusta coffee prices exhibited a steady increase from $1.62 per kilogram in 2019 to $2.63 per kilogram in 2023, with a slight decrease projected to $2.40 per kilogram in 2024.

0.2%

Global trade in goods and services

" The 2024 trade growth forecast has been revised down by 0.5 percentage points, indicating the weakest recovery post-global recession in the past 50 years"

For emerging markets and developing economies, growth rose from

4.1%-4.3%

Growth 2022 - 2023

4.2%

Emerging markets Growth 2024 & 2025.

Tea prices, averaged across three auctions, commenced at $2.56 per kilogram in 2019, reached $3.05 per kilogram in 2022, and decreased to $2.74 per kilogram in 2023. The projection for 2024 is $2.75 per kilogram, attributed to slowing demand in key tea consumption regions, especially in Central Asia as a result of the war in Ukraine. Soybean prices grew from $368.95 per metric ton in 2019 to $675.40 per metric ton in 2022. In 2023, prices declined to $597.9 per metric ton, with a projected further decrease to $585 per metric ton in 2024.

Maize prices witnessed a notable increase from $170.07 per metric ton in 2019 to $318.81 per metric ton in 2022. In 2023, prices rose to $252.66 per metric ton, with a projected decrease to $230 per metric ton in 2024, attributed to anticipated record-high global maize production. Rice (Thai) observed a price increase from $418.00 per metric ton in 2019 to $553.67 per metric ton in 2023. The projection for 2024 expects a further rise to $595 per metric ton, driven by heightened demand and supply limitations.

Wheat (US HRW) experienced a price increase from $201.69 per metric ton in 2019 to $429.97 per metric ton in 2022. In 2023, the average global wheat price decreased to $340.43 per metric ton, with a projected slight decrease to $335 per metric ton in 2024. Sugar prices in the world market were $0.28 per kilogram in 2019, gradually increasing to $0.52 per kilogram in 2023. The projection for 2024 suggests a decrease to $0.49 per kilogram, driven by Brazil's bumper sugarcane harvest. Cotton prices remained relatively stable at around $1.72 per kilogram in 2019, and increased to $2.86 per kilogram in 2022, and the projection for 2024 is $2.20 per kilogram, according to the latest forecasts from the World Bank (See Table 3).

“

The recent rise in restrictive trade policies and reshoring activities may lead to more fragmented supply chains

Table 3: Average Global Prices of commodities and outlook, 2019-2024

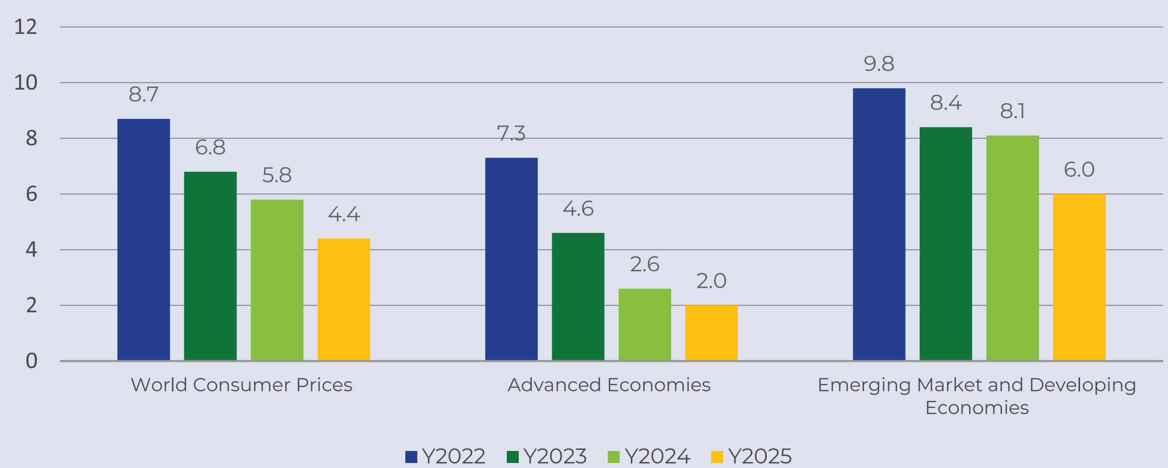
	Actual					Projection
Year	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Crude oil, average ($/bbl)	61.41	41.26	69.07	97.10	80.76	81.00
Cocoa ($/kg)	2.34	2.37	2.43	2.39	3.28	2.90
Coffee, Arabica ($/kg)	2.88	3.32	4.51	5.63	4.54	2.90
Coffee, Robusta ($/kg)	1.62	1.52	1.98	2.29	2.63	2.40
Tea, avg 3 auctions ($/kg)	2.56	2.70	2.69	3.05	2.74	2.75
Soybean ($/mt)	368.95	406.64	583.32	675.40	597.9	585
Maize ($/mt)	170.07	165.47	259.55	318.81	252.66	230
Rice, Thai 5% ($/mt)	418.00	496.75	458.25	436.75	553.67	595
Wheat, US HRW ($/mt)	201.69	231.57	315.24	429.97	340.43	335
Sugar, world ($/kg)	0.28	0.28	0.39	0.41	0.52	0.49
Cotton ($/kg)	1.72	1.59	2.23	2.86	2.09	2.20

Data source: World Bank (2023)

Global Inflation Outlook: Steady Decline to Target

Global headline inflation is expected to fall from an estimated 6.8% in 2023 (annual average) to 5.8% in 2024 and 4.4% in 2025. Advanced economies are expected to see faster disinflation, with inflation falling by 2.0 percentage points in 2024 to 2.6%, than emerging market and developing economies, where inflation is projected to decline by just 0.3 percentage points to 8.1% (See Figure 1). The drivers of declining inflation differ by country but generally reflect lower core inflation because of still-tight monetary policies, a related softening in labor markets, and pass-through effects from earlier and ongoing declines in relative energy prices. Overall, about 80 percent of the world's economies are expected to see lower annual average headline and core inflation in 2024. Most of these economies are expected to reach their targets (or target range midpoints) by 2025 (IMF, 2024)

Figure 1: Global Inflation Projections (%), 2022 to 2025



Data source: International Monetary Fund (January 2024)

Implication: The global inflation outlook suggests a positive trend, with a steady decline expected. This could lead to improved economic stability and favorable conditions for monetary policy adjustments.

Domestic Developments

Domestic economic activity

Despite the restrictive credit, monetary, and fiscal conditions from both the domestic and external economic environments, which have constrained aggregate demand, Uganda's economy remains resilient, as signaled by the high-frequency indicators of economic activity. The Uganda Business Tendency Indicator (BTI) steadily rose from Quarter 4, 2022 (52.29) to Quarter 3, 2023 (60.98), indicating increased business confidence. Although it declined to 59.27 in Quarter 4, 2023, the BTI is expected to experience a slight dip to 58.6 in Quarter 1, 2024. Concurrently, the Composite Index of Economic Activity (CIEA) consistently rose from 152.92 in Quarter 4, 2022 to 160.88 in Quarter 3, 2023, indicating sustained economic growth.

Business Perceptions and Economic Activity: *Month-on-Month Analysis*

As of December 2023, business sentiment remained positive, surpassing the 2022 average of 54.20, with the Business Tendency Indicator (BTI) consistently above 50, reflecting an optimistic outlook. Notably, the BTI rose from 58.73 in November to 59.41 in December 2023, showcasing a positive trend. However, there was a slight decline from 60.45 in August to 59.00 in September 2023, attributed to concerns among business owners about financial conditions and credit access (Bou, 2023). Recent statistics from the Bank of Uganda highlighted increasing optimism in sectors like construction, Wholesale Trade, Agriculture, and services, with key indicators pointing towards a more favorable economic outlook. Conversely, the Composite Index of Economic Activities (CIEA) displayed growth, increasing by 0.12% from 162.44 in October 2023 to 162.64 in November 2023, indicating sustained improvement in economic activity.

Inflation Trends: Year-on-Year Analysis

In Uganda, inflation experienced a surge, with headline inflation climbing from 2.21% in 2021 to 7.19% in 2022, and core inflation rising from 2.77% to 5.99% during the same period. This escalation was largely attributed to global factors such as the impact of supply disruptions induced by the pandemic and the Russia-Ukraine conflict, which elevated food and fuel prices, subsequently driving up energy costs. In 2023, the average headline inflation declined to 5.44 % from 7.19% in 2022 while core inflation declined from 5.99% to 4.79% during the same period. According to Trading Economics' latest forecasts headline inflation will reduce from 2.6% in December 2023 to 2.4% in quarter 1, 2024.

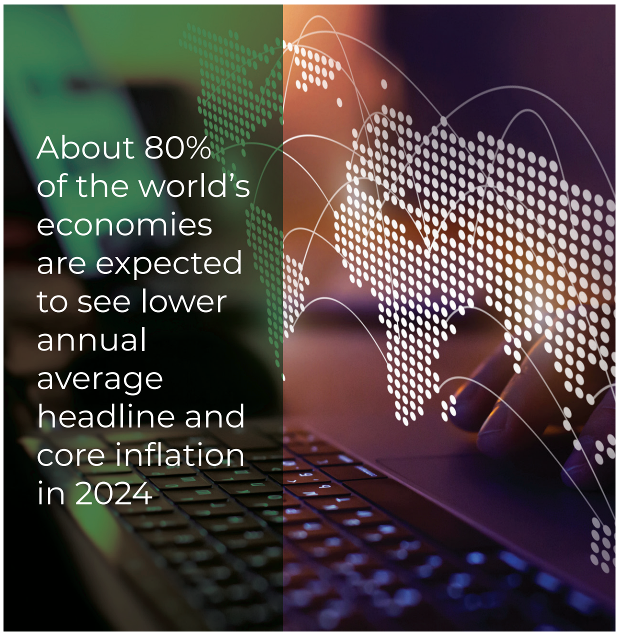
Inflation Trends: Month-on-Month Analysis

The Annual Inflation, measured by the Consumer Price Index for Uganda, held steady at 2.6% for the 12 months ending December 2023, maintaining the same rate as November 2023. This stability is primarily attributed to the Annual Core Inflation, which rose to 2.3% in the year ending December 2023, compared to 2.0% in November 2023. The key contributor to Annual Core Inflation was the Annual Services Inflation, which increased to 3.7% in the year ending December 2023, up from 2.8% in November 2023.

The surge in Annual Services Inflation was influenced by a notable increase in Annual Passenger transport by road fares, rising to 4.3% in December 2023 from a negative 4.4% in November 2023. Additionally, Annual Passenger transport by airfares registered an increase, reaching minus 3.1% in the year ending December 2023, compared to minus 5.1% in the year ended November 2023.

Annual Energy Fuel and Utilities (EFU) inflation saw an uptick, reaching 6.4 % in the year ending December 2023, compared to 4.3% in November 2023. This was attributed to a 24.7% increase in the price of charcoal in December 2023, up from 16.7% in November 2023. Moreover, petrol prices rose by 0.6% in December 2023, reversing the minus 3.9% recorded in November 2023.

In contrast, Annual Food Crops and Related Items Inflation decreased to 2.5% in the year ending December 2023, down from 6.4% registered in the year ended November 2023.



"Ugandan shilling's depreciation has significant implications, it can improve export competitiveness

9.8 %

Uganda's Central Bank Rate (CBR) 2019

Implication: The modest annual inflation suggests relief for consumers with lower price growth in essential goods. Nonetheless, the upward trend in Energy Fuel and Utilities (EFU) inflation raises concerns about potential escalations in transport and production costs.

Financial Sector Developments

In June 2022, Uganda's banking industry reported total assets of UGX44.61 trillion, marking a 12.2% annual growth from UGX39.77 trillion in the preceding year. Notably, the industry's net profit experienced a robust 12.5% surge, rising from UGX1.0 trillion in 2021 to UGX1.13 trillion in 2022.

Exchange Rate Movements

In 2023, the Uganda shilling depreciated against the dollar by 0.85%, moving from 3,694.98 Ush/USD in 2022 to 3726.23 Ush/USD in 2023. This depreciation was primarily caused by increased corporate demand for dollars, specifically from the oil, telecommunication, and manufacturing sectors, as well as the outflow of portfolio capital.

Looking ahead, Fitch Solutions' latest forecasts anticipate a 2.3% depreciation of Uganda's shilling, projecting a shift from Shs. 3,726.14/USD in 2023 to Shs. 3,827/USD in 2024. This anticipated depreciation is driven by heightened demand for dollars from corporations and interbank players, in addition to the outflow of portfolio capital as offshore investors exit the market to seek more attractive yields in other emerging markets.

Implication: The Ugandan shilling's depreciation has significant implications, as it can improve export competitiveness. However, the strengthening of the dollar could result in increased costs for imports, particularly raw materials for manufacturing and agricultural inputs.

Interest Rate Movements

In 2019, Uganda's Central Bank Rate (CBR) stood at a high of 9.8%, reflecting a stance of restrictive monetary policy. The following year, amidst the uncertainties of the COVID-19 pandemic, the CBR was lowered to 7.7% in 2020 to stimulate economic activity. In 2021, the rate further decreased to 6.7%, geared towards fostering economic recovery. However, in 2022, it experienced a slight uptick to 8.0%. Concurrently, lending rates, which were notably high at around 19% in 2019, gradually decreased to 18.2% in 2022 before showing a slight increase to 19.0% in 2023 (Bank of Uganda, 2023).

As of December 2023, the Central Bank maintained the CBR at 9.5% for the fifth consecutive month. This strategic decision aimed to stabilize inflation in proximity to the targeted level over the medium term, fostering an environment conducive to private-sector investment and overall socioeconomic development. The weighted average lending rates on shilling-denominated credit extended by commercial banks stood at 16.70% in December 2023. This reflects a slight reduction compared to the previous month's figure of 16.79% recorded in November 2023, attributed in part to the alleviation of inflationary pressures during this period. Furthermore, lending rates for foreign currency-denominated credit exhibited a downward trend, declining from 8.96% in November 2023 to 8.79% in December 2023.

Implication: A sustained decrease in lending rates for Uganda shillings by commercial banks could potentially stimulate private sector credit, thereby encouraging increased investment and contributing to overall economic growth.

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

From 2020 to 2022, Uganda's Domestic Credit steadily rose from UGX26.14 trillion to UGX37.38 trillion, reflecting a growing demand for credit and increased economic activity. Net Credit to Government (NCG) showed a modest uptick from UGX7.77 trillion to UGX. 8.56 trillion in 2021 but surged to UGX14.71 trillion in 2022, indicating the government's reliance on domestic borrowing for infrastructure and budget needs. Private Sector Credit increased steadily from UGX18.25 trillion in 2020 to UGX21.80 trillion in 2022, facilitating business expansion and consumer spending. In 2023, Domestic Credit and NCG maintained levels at UGX41.43 trillion and UGX17.04 trillion, respectively, while Private Sector Credit grew slightly to Ush. 23.29 trillion, affirming ongoing private sector expansion.

In December 2023, Uganda's Domestic Credit saw a 1.2% increase, reaching UGX41.952 trillion from UGX41.434 trillion in November 2023. Concurrently, Net Credit to Government (NCG) experienced a 0.5% rise, increasing from UGX17.043 trillion to UGX17.129 trillion during the same period. Private Sector Credit also grew by 1.2%, ascending from UGX23.292 trillion to UGX23.569 trillion. These fluctuations underscore the central bank's proactive measures to stimulate economic expansion and encourage private-sector investment.

Implication: The rise in private sector credit holds the potential to stimulate investment, which can have a positive impact on Uganda's economic growth trajectory. However, a continued surge in government domestic borrowing could potentially crowd out private-sector credit.

Quality of Loans in Uganda

The loan quality is a pressing concern, influenced in part by higher interest rates and a weak business environment. Non-performing loans (NPLs) in Uganda have fluctuated over the years, reflecting economic conditions and banking sector health. In 2018, NPLs were at 3.41%, reflecting stable economic conditions. However, by 2019, it rose to 4.85%, indicating potential loan quality deterioration. The trend continued in 2020, reaching 5.27%, likely due to economic challenges, possibly linked to the COVID-19 pandemic. Notably, 2021 showed stability at 5.26%, but in 2022, NPLs increased to 5.35%, suggesting ongoing issues in the banking sector. In 2023, it reached 5.82% in Q1/23 and slightly dropped to 5.73% and 5.34% in Q2/23 and Q3/23 respectively. This fluctuation in NPL raises concerns about persistent economic challenges or loan quality issues.

Comparison of UDB Portfolio Balance and Private Sector Credit

In December 2023, UDB's Portfolio Balance rose by 1.3%, reaching UGX1.6 trillion, from November's Shs. 1.58 trillion. The UDB Portfolio, constituting 6.79% of Private Sector Credit, an increase from 6.78% in November 2023. This rise is pivotal for economic transformation, as investors capitalize on UDB's concessional loans featuring a favorable interest rate ranging between 10% to 12% per annum on local currency. Implication: The expanding UDB Portfolio (% of Private Sector Credit) promises to lower production costs and drive economic transformation. Investors stand to benefit significantly from UDB's concessional loans, offering attractive interest rates.

Share of Private Sector Credit Among Finance Institutions

The Uganda Development Bank (UDB) plays a significant role, holding 6.79% of Private Sector Credit (PSC) amounting to UGX 1.6 trillion, contributing to economic growth. In contrast, Commercial Banks dominate with 88.67% (UGX 20.90 trillion) of the credit share, while Credit Institutions (CI) and Microfinance Deposit-Taking Institutions (MDI) collectively hold 3.41% (CI at 1.28%, MDI at 2.13%). Tier 4 financial institutions hold a smaller share of 1.13% of the outstanding credit, showcasing the presence of various smaller financial entities that play a minor yet essential role in the financial landscape.

External Sector Developments

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

In 2023, Uganda experienced a noteworthy enhancement in its trade balance, marking a 14% improvement as the trade deficit narrowed from $3,672.516 million in 2022 to $3,159.78 million in 2023. This positive shift was predominantly driven by a substantial surge in export revenues, skyrocketing by 63% from $4,274.7 million in 2022 to an impressive $6,983.5 million in 2023. Additionally, the terms of trade exhibited positive momentum, witnessing a 6.8% increase from 98.8 in 2022 to 105.9 in 2023.

12.2%

Uganda's banking industry annual growth

" The industry's net profit experienced a robust 12.5% surge, rising from UGX1.0 trillion in 2021 to UGX1.13 trillion in 2022"

Zooming in December 2023, Uganda's trade balance showcased further improvement as the trade deficit contracted by 9.9%, dwindling to $269.87 million from the $299.65 million recorded in November 2023. This reduction was driven by a modest 0.2% uptick in export revenues, climbing from $615.05 million in November to $616.36 million in December 2023. Simultaneously, there was a 3.1% decrease in import receipts, declining from $914.70 million to $886.24 million during the same period.

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

In December 2023, Uganda faced a trade deficit within the East African Community (EAC), exporting goods valued at $186.88 million and importing goods worth $209.17 million from EAC countries. This resulted in a deficit of $ 22.29 million, compared to the previous month's trade deficit of $66.65 million. Uganda maintained a surplus with most EAC countries, except for Kenya and Tanzania.

Specifically, in December 2023, Uganda exported goods amounting to $45.22 million to Kenya, while importing goods valued at $64.07 million from Kenya, leading to a deficit of $18.85 million. Similarly, with Tanzania, Uganda exported goods worth $48.52 million but imported goods valued at $138.71 million, resulting in a substantial deficit of $90.19 million.

On a positive note, Uganda enjoyed a surplus with other EAC countries. For instance, Uganda exported goods worth $5.35 million to Burundi and imported negligible goods ($0.10 million), resulting in a surplus of $5.25 million. Additionally, Uganda experienced a surplus of $22.23 million with Rwanda, exporting goods worth $23.38 million and importing goods worth $1.15 million.

Moreover, Uganda's trade with the Democratic Republic of Congo showed a surplus, with exports totaling $29.19 million and imports at $2.88 million, resulting in a surplus of $26.30 million. Similarly, Uganda exported goods worth $35.22 million to South Sudan and imported goods worth $2.26 million, leading to a surplus of $32.96 million.

Recommendation: To address these trade imbalances, Uganda should focus on export promotion, diversification, and import replacement to substitute for imports.

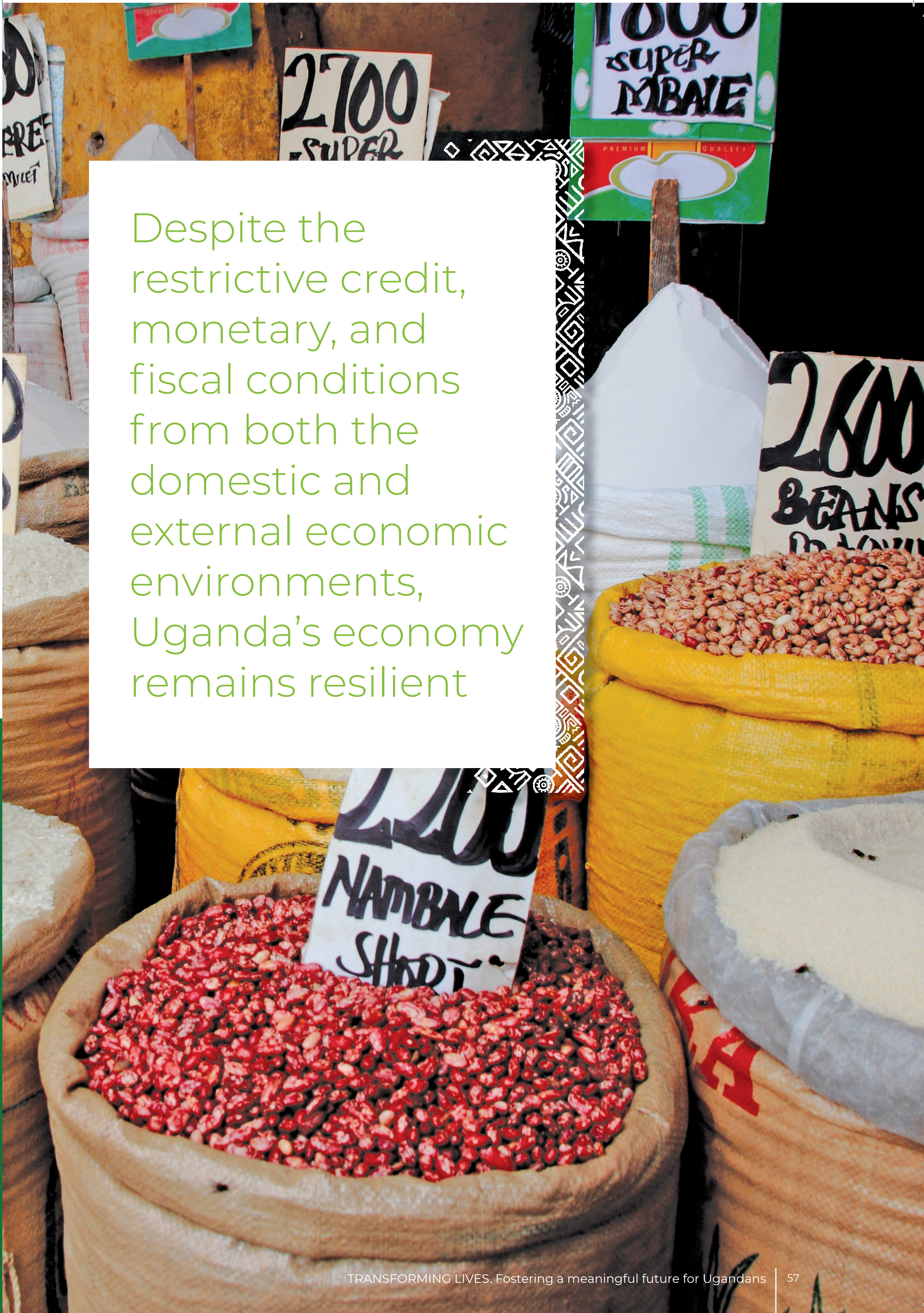
Uganda's Economic Outlook and Risks

The latest forecasts from the Bank of Uganda suggest that Uganda's economic growth is projected to remain steady at 6.0% for the 2023/24 financial year. However, future outlooks indicate a slight adjustment, with growth expected to range between 5.5% and 6.5%, compared to the previous estimate of 6.5% to 7.0%. This revision downwards in growth forecasts primarily reflects the anticipated impact of tighter monetary policies aimed at stabilizing inflation over the medium term.

The potential rise in inflation poses challenges to household real incomes, potentially dampening consumer spending. Furthermore, heightened import costs of raw materials may hinder investment expenditure. Additionally, if tax revenue falls short of expectations, it could result in increased domestic financing, crowding out private sector credit and dampening economic activity. Moreover, a sluggish recovery in external demand might further hinder Uganda's export prospects.

However, some factors could help alleviate these negative effects. Improved activity in the oil sector and Uganda's removal from the Financial Action Task Force's grey list in February 2024 could attract additional foreign direct investment, providing some relief from the challenges above.

It is crucial to emphasize that sustainable growth hinges on maintaining low and stable inflation. High inflation rates can significantly hinder economic growth, leading to lasting reductions in per capita income. Therefore, tightening monetary policy under the current circumstances aligns with fostering sustainable growth, which serves as a fundamental prerequisite for socio-economic transformation.



Despite the restrictive credit, monetary, and fiscal conditions from both the domestic and external economic environments, Uganda's economy remains resilient

RISK MANAGEMENT STATEMENT

In the wake of distressing global scenarios, risk maturity presented unique opportunities for the Bank to harness its sustainability and operational strategies to deliver on its broad mandate

Our Risk Management Approach in 2023

Central to execution of the Bank's Business plan is a strong culture of risk optimization that entails shared attitude, beliefs, and values that shape behaviors including risk awareness, risk taking and risk management; enabled by its Risk and Opportunities Management framework for sustainability.

In the wake of distressing global scenarios including the sustained and emerging geopolitical tensions, macroeconomic volatilities, realities of climate change risk, and cyber crime threats that dominated the operating environment in 2023, 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 that defines the level and types of risk that the Bank is willing to take, while informing the business planning process and guiding strategic decision making. This is guided by following the Bank's Risk and Opportunities Management (ROMs) framework which creates and protects value to generate maximum impact through leading with purpose. ROMs is an Integral part of the Bank's operating processes and decision making.

> "
>
> UDB's resilience for sustainability involved adjusting to new challenges posed by a number of significant global incidents, along with particular local developments within the country

Key Components of our Risk & Opportunities Management (ROMS)

The following table summarizes the key aspects of the risk management framework, which together help align employee behaviors with risk appetite.

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

Key Risk Sources to the Bank in 2023

The Bank's proactive approach to risk management involved adjusting to new challenges posed by a number of significant global incidents, along with particular local developments in Uganda, that added complexity to the risk management landscape, underscoring the need for an adaptable and thoughtful risk management strategy. The critical risk sources to the Bank in 2023 included.

Financial Risk Pressures: Given the persistent global economic uncertainties and macroeconomic volatilities, credit risk was a significant concern. Factors such as the prevalent inflationary pressures and potential recessions in major economies were closely monitored as they escalated operational costs for projects and impacted the financial health of borrowers, which all potentially could lead to higher default rates. To counter ongoing economic volatilities, a dynamic approach is underway, involving portfolio diversification and advanced credit analysis with stress testing to forestall risks.

Interest rate hedging and credit enhancements are being actively 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.

Geopolitical and Regional Instabilities: Beyond the ongoing Russia-Ukraine conflict, emerging geopolitical hotspots and escalations in existing tensions continued to introduce additional exogenous risks. Escalating tensions in the Middle East, particularly in Israel, along with instability in neighboring African countries, affected trade routes and economic activities in the region. The bank continues to be vigilant about the changes in 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 the risk tolerance, and curtailing limits and exposures where necessary.

Emerging Livestock Disease: With the increased prevalence of livestock diseases observed in 2023, the Bank remained alive to the potential for escalating animal health issues. These diseases impacted livestock value chains significantly, and the spread of these diseases led to substantial economic losses, potentially leading to increased loan defaults. 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 individualized 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 stabilize supply chains amidst disruptions.

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 prioritized to reduce exposure to specific market risks. Additionally, the Bank enhanced its liquidity management to ensure flexibility in responding to market changes.

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, and these severely impacted 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 maintained focus on offering climate-resilient 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 programs aimed at enhancing financial literacy in the face of climate uncertainties.

Cyber-Security Threats: As digital banking and financial technologies continued to evolve, cyber-security 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 specialized team vigilantly evaluated cyber threats, constantly improving defenses against complex cyber risks.

Further, the Bank deployed in-depth cyber-security efforts, focusing on cloud security, access controls, and analytics, evaluations to address emerging technology challenges. Cyber risk assessments and training for staff were routinely conducted to re-enforce governance.

Key Risk and Opportunities Management Actions in 2023

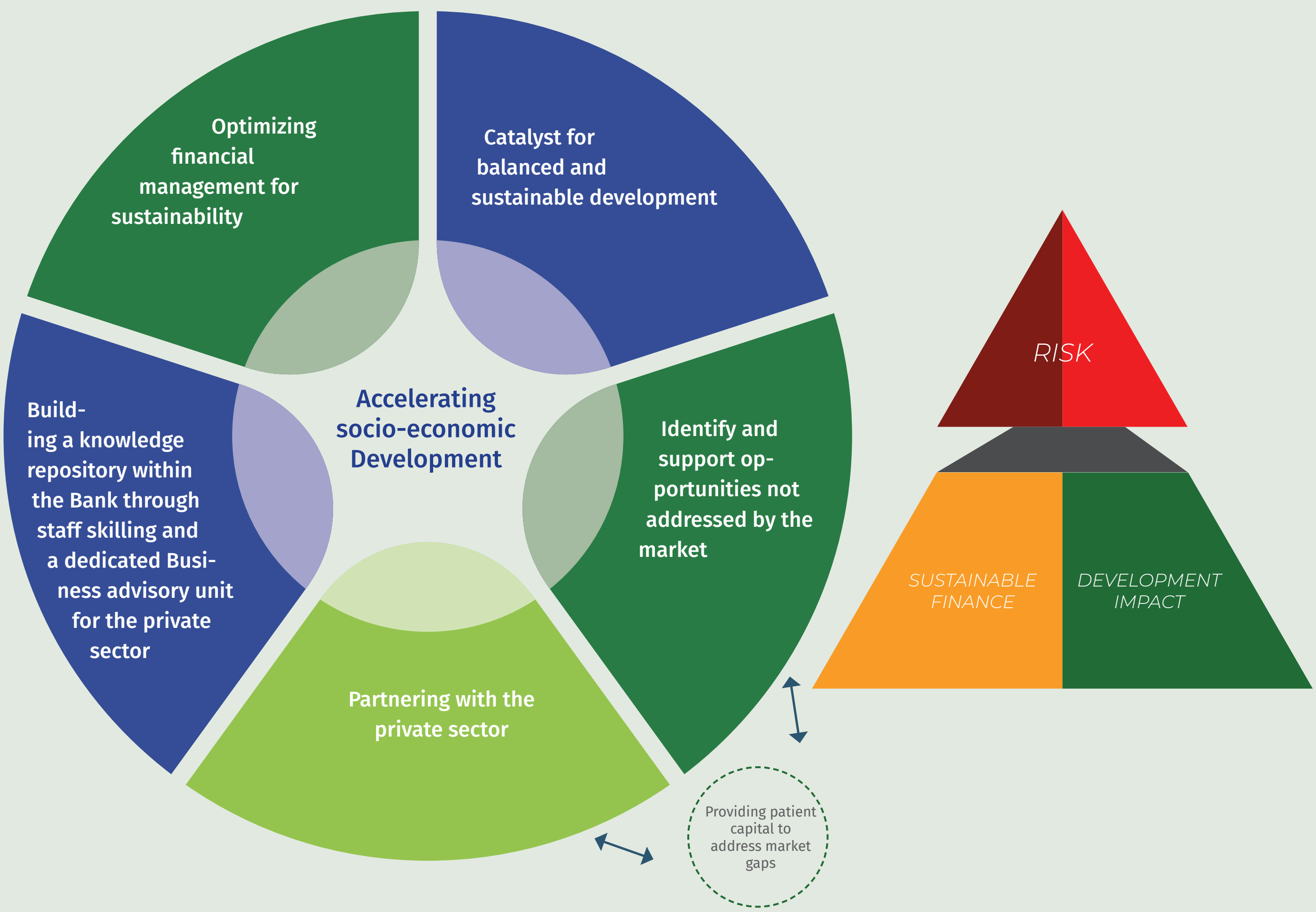
Issued a National Long-Term Rating of 'AAA(uga)' with stable outlook by Fitch, the Bank adeptly navigated its operational landscape, adjusting to evolving challenges. The Bank was keenly attuned to its operational context, continuously evaluating the impact of evolving factors on its financed ventures. 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 capitalization 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 Risk-Reward Management Approach

At the core of the Bank's strategic planning and execution is the identification and management of risk, steered by the Principals of the Enterprise Risk Management Framework.



The Bank's Risk Governance

Risk governance at the Bank is an integral aspect of corporate governance championed by the Board with a clear focus on the Bank's Mandate, Vision, and Mission.

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 supervision of risks, 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, 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, is tasked with providing detailed oversight of the Bank's Enterprise Risk Management framework, including its practices, procedures, and reporting on risks.

Risk Management Implementation approach

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

1st Line of Defense: Management is ultimately responsible and accountable for establishing, maintaining, and ensuring proper control, risk management, and governance processes. Management identifies and manages risks in line with the approved business strategy and risk appetite limits.

2nd Line of Defense: Consisting the Risk and Compliance functions of the Bank, the second line of defense undertakes risk assessment at an aggregate level in complement to the 1st line of defense.

3rd Line of Defense: The Internal Audit Directorate constitutes the third line of defense to provide 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 stemming from its business model, mission fulfillment, and internal and external operating conditions. The table below outlines the different types of risks encountered by the Bank in 2023.

Main Risk Category	Risk Sub-Category	Business Activities	UDB – Responsible department or function
Credit risk	Credit risk in lending	Lending	Credit Department
	Credit concentration risk	Lending	Credit Department
	Equity risk	Equity Investment	Investments
	Credit risk in treasury	Treasury	Treasury function
	Interest rate risk in the banking book	All activities	Treasury function
Market risk	Currency risk	Treasury	Treasury function
Liquidity risk		All activities	Treasury function
Operational risk	Compliance risk	All activities	Strategy
	Process risk	All activities	Risk & Compliance
	Business technology & Security risk	All activities	Business Technology
	Business continuity risk	All activities	Risk & Business Technology
	Legal risk	Lending	Legal
	Conduct risk	All activities	Human Resource function
	Human capital risk	All activities	Human Resource function
Strategic risk		All activities	Strategy
	Business model risk	All activities	Strategy and Corporate affairs
	Mandate realisation risk	All activities	Investments
	Strategic projects risk	All activities	Finance and business operations
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 that its Enterprise Risk Management framework 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 enterprise risk 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 ensuring that risk control actions are undertaken in a timely manner. To complement risk control is a set of contingent measures approved to minimize impact when risks materialize 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 Credit and Risk 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 full 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 2024

The risk management focus for 2024 will encompass several critical initiatives to further strengthen the risk framework and ensure sustainable growth. The focus areas will include:

Activation and Integration of Advanced Risk Management Instruments: The Bank plans to activate the de-risking instrument for Special Programs, aiming for a 15% new portfolio under guaranteed cover. This initiative will enhance the Bank's capacity to manage and mitigate risks associated with specialized lending programs.

Expanding Risk Intelligence through Data-Driven Tools. This will be achieved through onboarding and rollouting CRB value-added services that will enhance the Bank's ability to proactively predict and manage credit risks.

Strengthening Investment Portfolio Quality by designing an internal credit rating tool and implementing automated covenant tracking systems to ensure high credit quality and compliance from the outset.

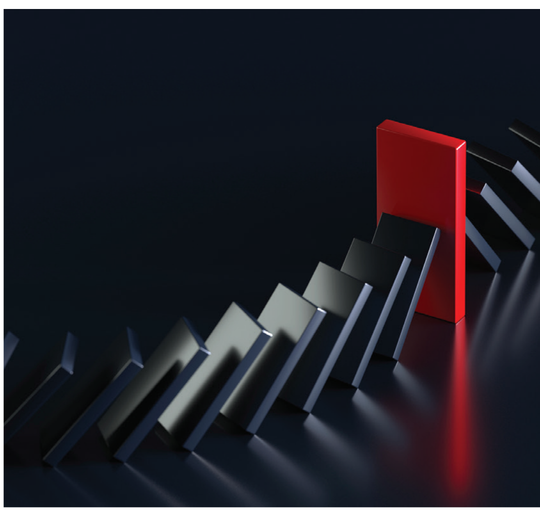
Funding Mobilization for Sustainable Development: The Bank will co-ordinate and ensure timely credit ratings. Additionally, plans to design a blueprint for sustainability-related funding will be rolled out, showcasing its commitment to supporting sustainable socio-economic transformation.

Enhancing Organizational Excellence with a focus on optimizing the ROMs framework and other strategic initiatives to optimize risk management processes and systems. This includes undertaking statutory compliance reviews and enhancing incident management.

Advancing Thought Leadership by designing and implementing ESG technical assistance programs for high-risk projects.

"

The Bank plans to activate the de-risking instrument for Special Programs, aiming for a 15% new portfolio under guaranteed cover



Following the Board's endorsement of the business strategy, the Bank conducts a comprehensive risk assessment to align with the strategic initiatives approved

The Bank maintained focus on offering climate-resilient 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.

SUSTAINABILITY REPORT

Building sustainable businesses

Outcomes from Businesses Approved in 2023

201
Projects Supported

55
Farms to enhance food production

50
Farm service centres

47
Agro-processing industries

MAINSTREAMING SUSTAINABILITY

Climate neutral investments were made in Uganda's priority sectors which included Primary Agriculture, Agro-Industrialization and Manufacturing which accounted for over 70% of the Bank's portfolio. Others were education, health, tourism, and infrastructure

During the year 2023, and guided by the Sustainability Standards and Certification Initiative guided by (SSCI), the Bank continued to make significant strides in its sustainability agenda of creating positive impacts on Society, Economy, and the Environment all underpinned by a growing balance sheet to support the Bank's core lending activities.

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

These investments were made in Uganda's priority sectors which included Primary Agriculture, Agro-Industrialization and Manufacturing which accounted for 70% of the Bank's portfolio. The Bank also continued to make investments in the education, health, tourism, and infrastructure sectors. During 2023, the Bank extended UGX610 Billion in facilities to both the private and public sector enterprises. This was in addition to non-financial interventions that the Bank undertook which included several enterprise development programs and trainings that were delivered by the Business Accelerator for Successful Entrepreneurship (BASE). These non-financial interventions are geared towards providing business training opportunities for SME's, a catalysts for growth and development of the economy.

> "In 2023, the Bank extended UGX610 Billion in facilities to both the private and public sector enterprises

In driving positive social impacts, the projects the Bank supported, created and maintained 51,841 jobs. Of these, 3,959 new jobs were created within the economy. Additionally, 64% of the jobs created and maintained earned above the poverty line and 66% were covered by social protection such as NSSF in addition to other benefits. Also, 64% of the jobs created and maintained were taken up by the youth, 27% by women, and 0.25% by persons with disabilities (PWDs).

The projects funded by the Bank generated UGX5.86 trillion in revenue contributing 3.2% of the Country's GDP. These enterprises posted UGX869 Billion in profits contributing UGX236 Billion in income taxes to the government. The Bank did also register specific sectoral achievements such as crop and livestock yield enhancements; increase in capacity utilized for installed equipment in the manufacturing sector etc. These and more are detailed in the adjoining pages of this report.

The Bank remained steadfast in upholding environmental standards and continued to adopt several environmental risk management strategies and tools used in identifying, assessing, and prioritizing those enterprises that demonstrated a strong commitment to environmental sustainability monitoring their operations throughout the lifecycle.

While in its pursuit of creating positive impacts in the society, economy and environment, the Bank and its Managing Director Ms. Patricia Ojangole were named Sustainability Leader of the Year 2023 at the Karlsruhe Sustainability Awards Ceremony held during the Global Sustainable Finance Conference which took place on 6th and 7th July 2023 in Germany. This was a testament and a stamp of excellence in the Bank's commitment towards sustainable banking and finance.

The Bank continued to support several financial institutions in implementing holistic sustainability through the i-Lead Group. In 2023, the Bank held 37 sessions, engaging over 19 financial institutions across the globe in implementing holistic sustainability. The Bank remains committed to prioritizing and and mainstream holistic sustainability in its practices, promoting this approach and inspiring all other stakeholders to raise awareness of sustainable development.

The Managing Director UDB Ms. Patricia Ojangole (C) flanked Ms. Sophie Nakandi, the Company Secretary (R) and Mr. Steven Hamya, the Chief Auditor after receiving the Prestigious Global Karlsruhe 2023 Sustainability Leader Award.

OPTIMIZING **PRIVATE SECTOR POTENTIAL**

In 2023, the Bank continued to champion access to affordable and patient capital, fostering resilience and sustainable businesses in the private sector growing its loan book to UGX1.6 trillion

Key Performance Indicators

Loan Portfolio

Gross loan portfolio grew by 22% in 2023 to UGX1.58 Trillion.

Portfolio Distribution

Sector	Amount (UGX Bn)
Agro Industrialization	399.8
Education Services	20.5
Health Care Services	107.7
Infrastructure	249.7
Manufacturing	368.7
Others	82.4
Primary Agriculture	243.1
Tourism & Hospitality	112.0
Grand Total	**1,583.9**

Product	Amount (UGX Bn)
Long term loans	798.2
Meduim term loans	371.2
Trade finance loans	170.3
Working capital	211.0
Special programs	33.0
Grand Total	**1,583.9**

"Gross loan portfolio grew by 22% in 2023 to UGX1.58 Trillion

Disbursements

The Bank disbursed UGX610 Billion in 2023 improving the cumulative total disbursements in the 7 year period (2017-2023) to UGX2.5 Trillion.

Disbursements Distribution

Sector	Amount (UGX Bn)
Agro-Industrialization	187.6
Education Services	0.1
Health Services	29.5
Infrastructure	124.7
Manufacturing	211.4
Others	0.4
Primary Agriculture	39.5
Tourism & Hospitality	16.6
Grand Total	**609.9**

Product	Amount (UGX Bn)
Asset Finance Loan	59.8
Term Loan	231.7
Trade Finance Loan	140.0
Working Capital Loan	178.4
Grand Total	**609.9**

Approvals

The Bank approved funding worth UGX691 Billion towards supporting 201 enterprises engaged in business in the priority sectors and spread across 67 districts.

Approvals Distribution.

Sector	Amount (UGX Bn)
Agro-Industrialization	203.4
Education Services	3.9
Health Services	18.2
Infrastructure	223.0
Manufacturing	206.2
Others	0.3
Primary Agriculture	19.0
Tourism & Hospitality	17.8
Grand Total	**692**

Product	Amount (UGX Bn)
Asset Finance Loan	69.7
Term Loan	353.8
Trade Finance Loan	86.2
Working Capital Loan	182.1
Grand Total	**692**

Regional Distribution of Wealth

Approvals		Disbursements	
Subregion	**Amount (UGX Bn)**	**Subregion**	**Amount (UGX Bn)**
Acholi	11.9	Acholi	9.3
Ankole	25.5	Ankole	24.8
Bukedi	0.7	Bukedi	2.0
Bunyoro	76.2	Bunyoro	8.8
Busoga	10.9	Busoga	15.6
Elgon	7.8	Elgon	6.9
Kampala	127.6	Kampala	150.5
Karamoja	0.6	Karamoja	5.1
Kigezi	2.4	Kigezi	4.0
Lango	4.6	Lango	15.6
North Buganda	196.0	North Buganda	238.2
South Buganda	199.5	South Buganda	102.5
Teso	2.1	Teso	9.0
Tooro	24.2	Tooro	12.8
West Nile	1.8	West Nile	4.7
Grand Total	**691.8**	**Grand Total**	**609.9**

Approvals distribution by district

District	Amount (UGX Bn)	District	Amount (UGX Bn)	District	Amount (UGX Bn)
Adjumani	1.6	Kamuli	7.9	Mayuge	1.2
Agago	0.4	Kapchorwa	2.7	Mbale	4.7
Apac	4.5	Karenga	0.2	Mbarara	12.7
Bududa	0.2	kasese	15.5	Mityana	0.5
Buhweju	0.3	Kassanda	0.2	Moroto	0.2
Buikwe	71.6	Katakwi	0.2	Mpigi	7.0
Bukedea	0.3	Kazo	0.5	Mubende	2.2
Buliisa	0.5	Kiboga	0.9	Mukono	117.1
Butambala	4.9	Kiruhura	0.3	Nakaseke	1.2
Fort portal	1.4	Kiryandongo	0.7	Nakasongola	0.9
Gulu	6.2	Kisoro	1.4	Nebbi	0.2
Hoima	75.0	Kitagwenda	0.1	Ntungamo	9.9
Ibanda	0.6	Kotido	0.2	Pader	4.8
Isingiro	0.5	Kween	0.2	Pallisa	0.1
Jinja	1.9	Kyegegwa	0.5	Rubirizi	0.7
Kaabong	0.1	Kyenjojo	6.1	Soroti	1.6
Kabale	1.0	Kyotera	0.7	Ssembabule	0.4
Kabarole	0.3	Lamwo	0.4	Tororo	0.6
Kalangala	0.1	Lira	0.1	Wakiso	176.4
Kalungu	5.3	Luwero	1.6	Masaka	3.4
Kampala	127.4	Lyantonde	1.2	**Grand Total**	**691.8**

Disbursements distribution by district

District	Amount (UGX Bn)	District	Amount (UGX Bn)	District	Amount (UGX Bn)
Adjumani	1.1	Kamuli	9.9	Mitooma	1.1
Alebtong	0.9	Kamwenge	0.2	Mityana	10.2
Apac	10.4	Kanungu	0.3	Moroto	3.0
Arua	0.1	kasese	9.6	Moyo	0.3
Buhweju	0.1	Kassanda	0.2	Mpigi	6.7
Buikwe	31.0	Kibaale	1.1	Mubende	0.8
Bukedea	0.3	Kiruhura	2.8	Mukono	168.7
Bukomansimbi	0.9	Kiryandongo	1.6	Nakapiripirit	0.1
Bushenyi	6.7	Kisoro	1.1	Nakaseke	1.1
BUSIA	0.0	Kitagwenda	0.2	Nakasongola	3.5
Butambala	2.6	Kyankwanzi	3.9	Nebbi	0.0
Country wide	28.1	Kyegegwa	0.5	Ntungamo	2.5
Fort portal	0.5	Kyotera	0.5	Omoro	0.1
Gulu	7.0	Lamwo	0.1	Pader	0.2
Hoima	3.9	Lira	2.4	Pakwach	0.2
Isingiro	0.3	Luwero	16.3	Pallisa	0.1
Jinja	3.8	Lyantonde	5.9	Rubirizi	2.0
Kaabong	0.1	Madi okollo	0.7	Lwampara	0.1
Kabale	0.5	Masaka	0.5	Soroti	6.8
Kabarole	0.2	Masindi	0.2	Wakiso	68.7
Kalungu	14.7	Mbale	5.0	Yumbe	0.5
Kampala	149.0	Mbarara	7.3	**Total**	**609.9**

Equity Investments – Investing in viable businesses

Sub-sector	Approvals Distribution (UGX Bn)	Investments Distribution (UGX Bn)
Industrial and Specialty Chemicals	0.6	5.5
Veterinary Pharmaceuticals	11.4	3.5
Sustainable Construction Materials	3.2	0.3
Total	**15.2**	**9.3**

Alignment with National Development Plan (NDP3)

The Bank consistently aligns its financing with national development priorities. Notably, in 2023, substantial approvals were directed towards key areas, including private sector development (UGX691 billion), Manufacturing (UGX214 billion), and Agro-industrialization (UGX209 billion)

NDP III Program	2023 - UDB Contribution
1. Agro industrialization	208.63
2. Mineral development	73.50
3. Sustainable development of petroleum resources	73.2
4. Tourism development	17.82
5. Natural resources, environment, climate change, land, and Water	92.08
6. Private sector development	527.94
7. Manufacturing	213.57
8. Integrated transport infrastructure and services	110.63
9. Sustainable energy development	11.2
10. Digital transformation	N/A
11. Sustainable urbanization and housing	N/A
12. Human capital development (Health and Education)	21.86
13. Innovation, technology development and transfer	54.78
14. Public sector transformation	162.73
15. Community mobilization and mindset change	0.64
16. Governance and Security	N/A
17. Regional Development (Acholi, Bukedi, Kigezi, Busoga, & Karamoja)	168.45
18. Development Plan Implementation	N/A

SELECT SIGNATURE INVESTMENTS

Specialized Interventions

Tailor-made to meet the needs of every Ugandan

Lighting up Uganda – UDB Hybrid Electricity Customer Credit Connection Scheme

To ease access to electricity, the Bank dedicated UGX148.5 Billion towards reducing the high cost of electricity connection for new domestic users and SMEs. As of 31 December 2023, UGX8.1 Billion of the funds had been utilized to connect 28,833 new consumers to the national grid.

Dubbed Hybrid Electricity Connections, the initiative was developed and implemented in partnership with the Electricity Regulatory Authority (ERA) and the Ministry of Energy & Mineral Development to assist 550,000 households over a period of five years. Consequently, the upfront cost for a no-pole service connection was revised down by 70%, from UGX720,833 to UGX200,000. Under the initiative, beneficiaries are offered an interest-free loan of UGX270,000 which can be repaid in manageable monthly installments over eight years.

UGX8.1Bn

Funds used by 1 December 2023

" to connect 28,833 new consumers to the national power grid"

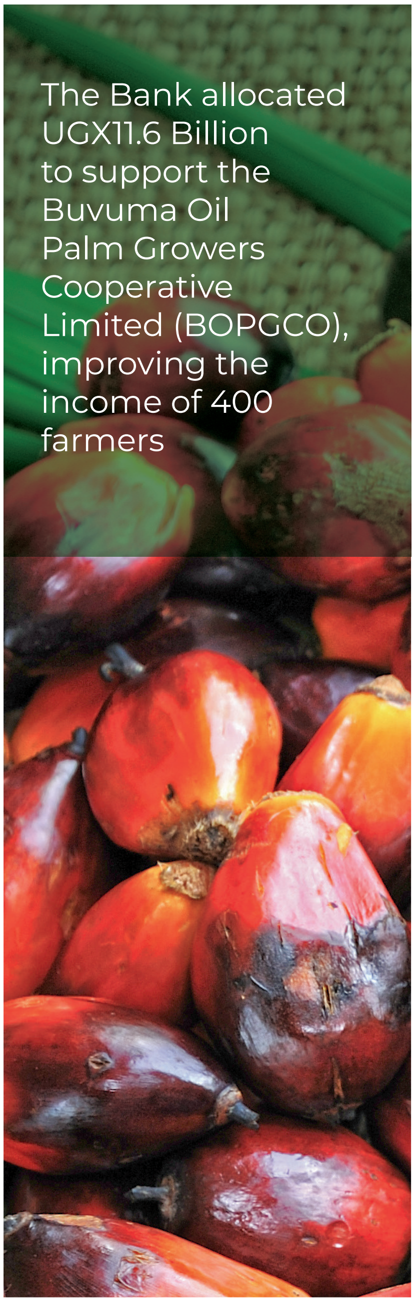
Access to Clean Water for All – UDB Water Access Initiative

UDB and Housing Finance Bank jointly allocated UGX138 Billion to enhance access to clean water in various parts of Uganda, where access remains a challenge. The investment is being channeled through the National Water & Sewerage Corporation (NWSC) to boost the daily water supply by 29,000 cubic meters. As of 31 December 2023, 4.489 million cubic liters of water have been produced across the country. It is expected that by mid-year 2024, there will be an additional capacity of 5.16 million cubic liters available. The initiative also includes the extension of water mains by 744 kilometers, the connection of 27,307 new water consumers, and the construction of 1,619 public standpipes, to benefit 858 villages in water-scarce areas of Uganda.

Harnessing the Potential of Local Contractors

The Bank dedicated UGX150 Billion to enhance the capacity of indigenous contractors. The Bank's support under this initiative includes:

i. Providing timely access to affordable capital, with benefits such as reduced appraisal fees, grace periods of up to 12 months, and affordable interest rates of 10% – 12%.
ii. Facilitating access to bid bonds and performance guarantees on favorable terms, including arrangement fees at 0.25%, security cover from 50% to 100% of the bond amount, unsecured bid bonds of up to UGX1 Billion, and commission rates at 0.5% per quarter.
iii. Allowing the use of outstanding payment certificates as collateral, giving contractors access to up to 70% of the needed credit.
iv. Offering capacity building and technical support to enhance contractor competitiveness and efficiency.



Fostering Digital and Financial Inclusion - Agric-onnect

UDB in partnership with Ensibuuko, Food and Agriculture Organization (FAO), United Nations Capital Development Fund (UNCDF), and European Union (EU) in 2022 launched a digital lending solution to facilitate access to finance for smallholder farmers. This solution allows the Bank to provide short-term seasonal loans to smallholder farmers in rural areas, with financing as low as UGX50,000. The digital loans, targeting over 1,000 farmers, are designed to increase production, improve food security, and enhance household incomes in, Gulu, Lira, and West Nile region. As of December, the solution has supported 98 groups, benefiting 650 individuals. The project plans to expand to more areas and increase the number of farmers it serves.

98

Groups benefiting 650 individuals

" recieved loans as low as UGX50,000 using thedigital lending solution which facilitates access to finance for smallholder farmers "

Winning With Partners – The National Oil Palm Project

The Bank allocated UGX11.6 Billion to support the Buvuma Oil Palm Growers Cooperative Limited (BOPGCO) to purchase inputs such as seeds, fertilizers, chemicals, and other essentials for establishing plantations. BOPGCO, established with support from the Government of Uganda through the Ministry of Agriculture, Animal Industry and Fisheries, aims to organize smallholder farmers for oil palm production in Buvuma as part of the National Oil Palm Project (NOPP).

The project is expected to bring multiple economic benefits, including an annual savings of 40 million USD by reducing imports, increasing the nation's edible oil supply by 13,500MT (which is significant given Kalangala's annual production of 43,005 tonnes), and improving the income of 400 farmers. Each farmer will manage at least 4 hectares of oil palm, leading to a minimum monthly income of UGX 4,400,000.

Promoting Import Substitution - Sunflower Seed Varieties Initiative

The Bank, in collaboration with the National Semi-Arid Resources Research Institute (NaSARRI) in Serere, is promoting the development of high-yield sunflower hybrid seeds. Sunflower serves as an important oil crop in Uganda, especially in the eastern and northern regions. It fulfills the country's edible oil needs and contributes to the economy by providing farmer income, supporting the Agro-processing, and generating employment.

Trials have been conducted in Serere and seven additional locations across Eastern and Northern Uganda. Following the successful assessment and validation of these trials, the Bank intends to support the widespread production and distribution of these seeds. This initiative will aid seed producers, particularly members of the Uganda Oil Seed Producers Association, by ensuring they have access to affordable and sustainable financing for seed multiplication.

Accelerating growth in the unique segments of the population – UDB Special Programs

In 2023, the Bank approved loans totalling UGX20 Billion and disbursed UGX13 Billion to SMEs, women-led or owned enterprises, and young entrepreneurs. This resulted in 91 enterprises being approved for financing, with 73 receiving funds. This support has had a notable positive impact on these underserved groups within the business community. The Bank, through the Special Programs initiative, provides SMEs, women-led or owned enterprises, and young entrepreneurs with suitable financial and non-financial solutions to expand their business assets, and revenues and create employment.

Project Preparation

The Project Preparation function aims to assist in developing well-structured and bankable projects. It offers technical assistance and financial support to potential investors and project developers in areas like feasibility studies, business planning, environmental impact assessments, and project design. Through providing these essential preparatory services, UDB seeks to improve the quality and viability of projects, thus facilitating access to financing and contributing to Uganda's sustainable economic development. As of 31 December 2023, the Bank had committed UGX 5.066 Billion towards the preparation of various projects and targeted funding initiatives.

BASE

Under the Business Accelerator for Successful Entrepreneurship (BASE), the Bank last year carried out five engagements: the MKAZIPRENEUR Women Engagement for 20 businesswomen, Moyo Business Engagement for 45 entrepreneurs, Teso Business Clinic Engagement for 1,000 businesses, Arua Women Forum Engagement for 300 businesswomen, and the Sheraton UDB & CHEMONICS Wheat Engagement for 120 business partners and government officials. Additionally, the bank engaged in activities with UWEAL, attracting over 400 businesswomen from the Mbarara and Hoima Business Clinics, and supported the formalization of 45 enterprises.

The Bank's BASE activities support SMEs to realize business sustainability. The program provides advisory services to help customers adopt best management practices, including good governance, record keeping, and financial management. This support, delivered through training, incubation, and technical assistance, aims to develop and implement essential processes within companies, reducing the risk of enterprise failure by ensuring businesses are properly managed.

Select Projects financed by the Bank and their projected development impact

MANUFACTURING

DESERET MICROHAEM PHARMACEUTICAL LIMITED

Location
Ntinda, Kampala

Brief project description
The company manufactures molecular and rapid diagnostic test kits for testing Malaria, HIV, Hepatitis B, and related diseases.

Intervention
The Bank financed the purchase of machinery to produce Malaria Kits and molecular diagnostic kits for HIV Viral load.
The bank has continued to finance company operations through the provision of working capital for the purchase of raw materials.

Projected Development Outcomes

+500 Jobs

UGX3Bn Contribution to tax

UGX 200Bn turnover/output value projected to growth by 2024, reducing the reliance on imported medical test kits and reduce the cost of these products by 20%

$3m Contribution in forex earnings from exportation to the neighboring countries.

MUSA BODY LTD

Location
Katwe, Muteesa 1 Road, Kampala

Brief project description
Musa body is engaged in the manufacturing and fabrication of machinery used mainly in the agriculture sector.
The Company also provides complete manufacturing plant solutions, including planning, civil engineering, steel construction, storage systems, feed processing machinery, intelligent packing, and electrical control systems.
The company also has a Training institute (Musa Body University) for the skills development of technicians, machine operators, electricians, maintenance and repair technicians, welders, and metal fabricators while the Musa Body Business Incubation Centre (MBIC) mainly focuses on enhancing the capacity of rural farmers to start agro-processing as a business and add value to their produce.

Intervention
The Bank financed the purchase of machinery for their factory and provided working capital to support company operations.

Projected Development Outcomes

102 Direct jobs

Select Projects financed by the Bank and their projected development impact

MANUFACTURING

SANGA VETCHEM LTD

Location
Mukono, Namanve Industrial Park, 2 Outlets in Bugolobi & Rushere Trading Centre in Kiruhura district.

Brief project description
Sanga Vet Chem was originally an importer and distributor of genuine animal drugs. The company has since ventured into manufacturing the drugs including 5 acaricides, 1 anthelmintic, and 1 wound remedy. It was granted an operating license in July 2021 by the NDA started operations in August 2021.

Intervention
The Bank financed the purchase of 6 manufacturing tanks with a 3,000-liter capacity each and 3 automated packing, sealing, labeling, and coding machines to support and meet the current and projected demand.

The Bank finances the company with various working capital facilities to support the importation of raw materials. The company requires a minimum of $1.5- $2m in raw materials per month to cater to its supply chain demands.

Projected Development Outcomes
230 Direct jobs. 70 indirect jobs

UGX17 Bn - UGX25 Bn Increase in turnover

$6M Projected increase in forex savings

UGX540M to UGX3.7 Bn Increase in tax revenue contribution

GIFTED BRENDA

Location
Masaka District

Brief project description
Production of a variety of products, including bread, cake, muffins, cookies, donuts, among other confectionaries.

Intervention
The Bank financed the construction of additional structures and electrical equipment.

Projected Development Outcomes
19 Jobs created

17.5% Increase in industrial output from use of the new equipment and skills transfer

35% Increase in turnover

25.6% Increase in tax revenue contribution

CHROMATIC PAINTS LIMITED

Location
Kampala Industrial & Business Park, Namanve

Brief project description
Founded by two Industrial chemists, Chromatic Paints Ltd is a Ugandan SME that deals in the paints and chemicals sub-sector seeking to become a formidable player in a foreign-dominated industry. The Company began its operations in 2015 in Kawaala, Kampala, and envisions becoming the leading manufacturer of a variety of high-quality water-based and solvent-based paints used in the building and construction industry as well as the automotive industry.

Intervention
The Bank supported Chromatic Paints to build a modern factory, expand its capacity, and invest in brand awareness and distribution. The Company now produces 500,000 liters of paint per month and is now available in many stores country-wide. The product portfolio contains 18 different brands ranging from Decoratives through Industrial and wood care products to automotive in several color combinations. These include undercoats, interior products like vinyl silk, exterior products such as weather guards, Automotive products like fast dry, Nitrocellulose (NC), and 2k Acrylics paints as well as wood care products like sanding sealer and varnishes.

Projected Development Outcomes
200 Jobs | **Modern operation** will enhance the competitiveness of locally manufactured paint products and reduce the importation of paint products and encourage the exportation of Ugandan products to the East African and African markets which bring in foreign exchange earnings.

Select Projects financed by the Bank and their projected development impact

AGRO PROCESSING

KIKE TROPICAL FRUITS- UGANDA

Location

Kakooge, in Nakasongola district

Brief project description

The enterprise deals in fruit processing. It started operations in 2019 with the establishment of a 10 TPD Aseptic tropical fruit extraction and refinery plant. The company produces puree/concentrate which is a major raw material used by beverage companies to produce juice. It processes pineapples, mangos, and passion fruits for sale at both the local and the international market with an operating capacity of 10 tons per day.

Intervention

Purchase of machinery to boost the capacity of the existing fruit processing plant to make it more efficient and out-grower farmer Scheme development.

Working Capital to support the bulking of fruits across the country during harvesting.

Projected Development Outcomes

40 Jobs created

4,400 farmers' income increased

50% Increased production/utilization Capacity

New technology and **Technological** Transfer

MISTY MOUNTAIN DAIRY FARM

Location

Nakaseke District

Brief project description

Misty Mountain Dairy Farm SMC) Ltd is a Ugandan-owned business initially focused on primary milk production and bulking for supply to JESA dairy. The company has now ventured into milk processing.

Intervention

UDB financed the purchase of a milk processing facility into various products like UHT milk, Yoghurt, ice cream, and cheese.

Projected Development Outcomes

+45 Jobs

3,000-5,000Ltrs off-take of locally produced milk from local farmers in the Nakaseke Cattle corridor

5,000Ltrs of milk is processed per day into quality products with better shelf lives

UGX1.8Bn in tax contribution over the 6-year tenor of the facility.

RUBANGA COOPERATIVE SOCIETY LIMITED

Location

Rubanga Trading Centre, Rurehe Sub-County in the Southwestern Uganda district of Mitooma.

Brief project description

Rubanga Cooperative Society Limited is an association of 9,578 active coffee farmers that has been in existence for over 37 years with an aspiration to enhance coffee production and improve market availability. The cooperative currently operates in six districts of Mitooma, Rubirizi, Sheema, Bushenyi, Ntungamo and Rukungiri.

Intervention

The Bank financed the construction of a warehouse with a storage capacity of 1,200 metric tons and coffee processing equipment with a production capacity of 4.0 metric tons per hour.

Projected Development Outcomes

1,400Mt of coffee projected to be processed, 90% shall be exported, generating foreign exchange earnings estimated at USD5.5 million annually.

9,578 farmers directly benefit through the sale of their coffee to the cooperative. With funding, the cooperative is projected to increase membership to 10,000 farmers by the end of 2024.

Select Projects financed by the Bank and their projected development impact

AGRO PROCESSING

APOLOAF UGANDA LIMITED

Location
Wakiso District

Brief project description
The start-up youth enterprise is in the confectionery business producing products such as cakes, bread, cookies, doughnuts, among others.

Intervention
The Bank financed the acquisition of modern equipment including an industrial oven, dough mixer, delivery vehicle, as well as working capital for the expansion of the business for improved production.

Projected Development Outcomes
18 Jobs | 20% increase in turnover | 41% Increase in tax contribution.

PRIMARY AGRICULTURE

SINTECH LABSERVICES LTD

Location
Masaka District

Brief project description
A pioneer in innovative fish farming practices. From its modest beginnings in 2014 with just two ponds, the company has expanded significantly to nine ponds, each measuring approximately 20 meters by 25 meters. The company offers consultancy services covering soil, water, plant, and fertilizer laboratory analyses, in partnership with esteemed institutions like Makerere University. The company has transitioned from traditional labor-intensive pond systems to modern, efficient fish cage systems. This shift has made stocking more predictable, enabling accurate projections of feed costs and revenue, thus optimizing financial planning

Intervention
The UDB intervention aims to minimize post-harvest losses, thereby maximizing overall profitability and cementing the company's position as a leader in sustainable aquaculture practices. The bank also financed the construction of additional ponds.

Projected Development Outcomes
6 Jobs | 6.7% increase in industrial output | Skills transfer from new equipment | 37.5% increase in turnover 24.7% Increase in tax revenue.

Select Projects financed by the Bank and their projected development impact

PRIMARY AGRICULTURE

ARALLA FARM LIMITED

Location
Bunyaruguru, Rubirizi District.

Brief project description
Production, marketing, and distribution of shell eggs. The project is sitting on 6 acres of land and has three large houses for production. The farm is mechanized with cages and is powered by solar. The farm currently has 30,000 layers producing on average 900 trays of eggs daily translating into 328,500 trays per year. The company is constructing a warehouse with a storage capacity of 4,000 Metric tons, acquiring and installing a feed mill, and a complete system with a milling plant, a dryer, and a mixer. The raw materials are sourced from the community and processed at the factory owned by the company to make high-quality poultry feeds.

Intervention
UDB supported the company through working capital to procure raw materials for making poultry feeds.

Projected Development Outcomes
10 Direct jobs. 26 indirect jobs
3,TT000 Farmers engaged to supply chicken feeds like maize, soybeans, sunflower, and silver fish (mukene).

JERAP ORGANIC PRODUCTS

Location
Kiryandongo District

Brief project description
The mixed farm consists of 10 acres of beans, 15 acres of maize, 5 acres of papaws, 3 acres of plantains, 1 acre of tangerines, 3.2 acres of cassava, 2 acres of green peppers, and is into poultry rearing - local chickens, broilers, and ducks. Additionally, the company owns 30 acres for silage production, maintains 250 cows and 200 goats, and leases 20 acres of land for maize cultivation.

Intervention
The bank financed the farm expansion by an additional 100 acres, the development of a water source(borehole), and securing working capital to support operations.

Projected Development Outcomes
+15 jobs
11% increase in industrial output | Skills transfer from use of new equipment
35% Increase in turnover
25% Increase in tax contributions

ASSOCIATED DEVELOPMENT LIMITED

Location
Bukomero - Kiboga District, Central Uganda

Brief project description
Associated Developments Limited (ADL) has been growing and processing rice for the past 11 years. The company is also engaged in large-scale commercial farming specializing in the production of palm oil on 160 acres in Kalangala District and 150 acres of coffee under irrigation in Bukomero, Kiboga District.

Intervention
The company received financing for the purchase and installation of an irrigation system, seedlings, and high-technology mulching (Ta-lya) trays at the coffee plant in Bukomero Kiboga District. UDB also financed the construction of a dam (water reservoir) and storage facilities.

Projected Development Outcomes
$600,000 annual foreign exchange earned from the coffee exports from the farm
UGX720M to be paid in taxes annually | 10 Direct jobs, 70 indirect jobs
50 coffee outgrowers supply coffee to the company to meet the off-takers demand

Select Projects financed by the Bank and their projected development impact

SCIENCE TECHNOLOGY & INNOVATION

QRISCORP UGANDA LIMITED

Location
Kampala

Brief project description
Specializing in Fintech (Financial Service Technology) solutions, Qriscorp (U) Limited focuses on Added Value Services (VAS) and Advanced Credit (ACS) Services in the Mobile Payment space. The company offers a wide range of services, including Value Added Services (VAS), Advanced Credit Services (ACS), Car Tracking, Payment Systems, Micro-Payments, E-Wallet, Micro-Financing, System Design and Deployment, E-Ticketing Systems, Loyalty Systems, Voucher Management Systems, Retail/Outlet Services, Open-Source Systems, Custom Website Design and Deployment, Dynamic Database-Driven Web Applications, and Automation Services (Artificial Intelligence). The company had a team of highly trained, skilled, talented, and experienced system engineers and software developers.

Intervention
The Bank financed the Youth Acceleration Facility for the development of a Limbo pay software technology and setting up a call center.

Projected Development Outcomes
6 Jobs | 54.1% increase in turnover | 50% Increase in tax contribution.

GREEN MANUFACTURING

ECOPLASTILE LIMITED

Location
Kampala Industrial & Business Park, Namanve

Brief project description
Ecoplastile Ltd is a Ugandan-founded, award-winning start-up on a mission to end waste and accelerate the world's transition to a green and circular economy. Ecoplastile is pioneering in the manufacturing of its flagship products, sustainable roofing tiles made from plastic waste and designed for durability, are affordable, and aesthetically beautiful. The Company is expanding into a variety of other sustainable, green construction and lifestyle products, all made from 100% plastic waste targeting both local and export markets across East Africa.

Intervention
The bank provided patient capital to commercialize the flagship product and take polymer sand-engineered plastic tiles to the market. The investment was made in capacity enhancements, working capital, and marketing.

Projected Development Outcomes
Decarbonizing local industries by increasing the manufacturing capacity of green building & lifestyle products using new technologies.

500+ Direct & Indirect jobs for youth and women engaged in plastic waste collection.

50 MT of plastic waste recycled per month to produce up to 100,000 eco-friendly tiles in fiscal year 2024.

100 MT of plastics to be recycled per month by the end of 2025, a meaningful climate and community impact.

Select Projects financed by the Bank and their projected development impact

EDUCATION SERVICES

BWERA SCHOOL OF NURSING & MIDWIFERY LTD

Location

Kaserengethe 1 Cell, Kasese District

Brief project description

Bwera School of Nursing & Midwifery conducts training programs in Nursing and Midwifery. The current school enrolment is 415 students for both certificate & diploma. The school attracts students mainly from the western part of the country.

Intervention

The Bank financed the completion of an administration Block, Construction of a computer laboratory and a library block and Purchase of laboratory equipment.

The Bank's support has given capacity to the school to embark on an extensive marketing program by instituting several business coordinators in Iganga, Arua, Mbarara, Kagadi, Kabarole, Kyenjojo and Kampala. This marketing drive is expected to improve student enrolment numbers..

Development impact

+30 Jobs at the business coordination centres across the country | 30% increase in student enrollment

TOURISM & HOSPITALITY

ARAGAN HOTEL LIMITED

Location

Kelvin Road, Adjumani T.C

Brief project description

The business provides hotel and catering services. The hotel comprises of 50 hotel rooms, 3 conference Halls, a swimming pool, a massage room, sauna, gym, 2 gardens, 2 outside Kitchens, mosque among other facilities.

Intervention

The Bank financed the construction of a swimming pool, the purchase of laundry equipment, set up of the gym and sauna.

Projected Development Outcomes

UGX1.25 Bn Projected tax contribution

$700,000 Foreign Exchange projected revenue over the course of the loan tenor.

HEALTH SERVICES

UTATU MEDICALS AND MATERNITY HOME

Location
Adjumani district

Brief project description
Utatu Medical and Maternity Home Ltd offers a range of services including Maternal and Child Healthcare, Essential Surgical Care, General Medical Clinic and In-patient Care, Special Clinics, In-patient and Chronic Care services, Laboratory and Diagnostic services, Mental and Psychosocial support services, Wellness services and Health Promotion.

Intervention
UDB financed the purchase of various medical equipment including a digital X-Ray full set, a Colour Doppler USS Machine with full set, a Fully Automated Chemistry Analyser Eletrek, Universal Anaesthesia Machine, ECG 12 Lead 12 Channels full set, Suction Machine 2 bottles Electric, Patient Monitor with stands, Paediatric and adult sensors, Examination couches, Delivery Bed, Theatre Bed, Medicine trolley, Instrument Trolley, Admission bed, Mattress with PVC, Mayos Table, Otoscope, Ophthalmoscope, Lockable drawers, Steriliser electrical 35L elek, Incubator, Phototherapy full set, Drip Stand with Caster, Surgical Diathermy, Oxygen Concentrator 10litre, and Generator.

Projected Development Outcomes
19 Jobs | 8.3% increase output | Skills transfer from use of new equipment.
33.1% increase in turnover | 32.6% Increase in tax contributionue

BUILDING UGANDA TOGETHER

TRANSFORMING LIVES

UDB upholds accountability to the government of Uganda and its other stakeholders, by ensuring responsible utilization of the entrusted resources, while fulfilling its mandate, goals, and objectives

Background

Uganda Development Bank supports both private and public sector enterprises that demonstrate potential to deliver high socio-economic value, in terms of job creation, output, tax and foreign exchange earnings expansion among other outcomes. The supported projects fall within the key priority sectors of the Bank including Primary Agriculture, Agro-processing, and Manufacturing which account for more than 70% of its investment portfolio. The Bank also undertakes specific interventions in other sectors including Tourism, Human Capital Development and Infrastructure including ICT.

The Bank upholds accountability to the government of Uganda and its other stakeholders, by ensuring responsible utilization of the entrusted resources, while fulfilling its mandate, goals, and objectives. In line with this, the Bank conducted the 2023 development impact assessment to document the progress made in delivering on its obligations.

> "The Bank upholds accountability to the government of Uganda and its other stakeholders, by ensuring responsible utilization of the entrusted resources

Social Impact to Community

This covers the Bank's effect on the aspects of job creation, employee earnings, social protection, work safety and health amongst others.

Creating and maintaining jobs

Creation and maintenance of gainful employment is a key development indicator for UDB, it is seen to serve as a catalyst for driving socio-economic development by reducing unemployment and enhancing social well-being. In 2023, the Bank-funded projects created and maintained a total of **51,841** jobs.

A significant share, 39%, of the total jobs were under the Primary Agriculture sector, 32% in Agro-processing and 16% for Manufacturing with the least 0.56% and 2.33% in education and health sectors respectively. Of the **51,841** total jobs created and maintained, **41.21%** were permanent and **58.78%** temporary. The highest, 41.5%, of temporary jobs which translated into 12,633, were recorded in the primary agriculture.

This may be attributed to the nature of the sector where activities peak during the planting, weeding, and harvesting seasons, and are low during other seasons. Therefore, farmers follow the same patterns in employing workers.

The total number of jobs created and maintained by the Bank supported enterprises by sector.

BANK PRIORITY SECTOR	Total No. of Jobs		% by sector	Permanent Jobs		Temporary jobs		Jobs created 2023	
	Male	Female		Male	Female	Male	Female	Male	Female
Manufacturing	6015	2402	16.24%	2600	1138	3415	1264	561	311
Agro - processing	11214	5495	32.23%	4480	1442	6734	4053	521	218
Primary Agriculture	16624	3617	39.04%	5382	2226	11242	1391	736	331
Tourism & Hospitality	1967	1281	6.27%	1477	943	490	338	384	256
Education	165	127	0.56%	115	89	50	38	61	27
Health	739	470	2.33%	562	339	177	131	62	41
Infrastructure	1165	207	2.65%	250	80	915	127	327	71
Other sector	225	128	0.68%	146	96	79	32	33	19
Sub total	**38,114**	**13,727**		**15,012**	**6,353**	**23,102**	**7,374**	**2,685**	**1,274**
		51,841			**21,365**		**30,476**		**3,959**

The average number of jobs per enterprise varied across different sectors. The Primary Agriculture sector had the highest average of 157, indicating that this sector has the largest employment potential. However, key to note is that most employment in this sector are temporary. Agro-Processing, Manufacturing, Health sub sectors and Infrastructure had a substantial average number of 150, 120, 75 and 57 jobs per enterprise respectively, suggesting more significant employment generation potential in these sectors.

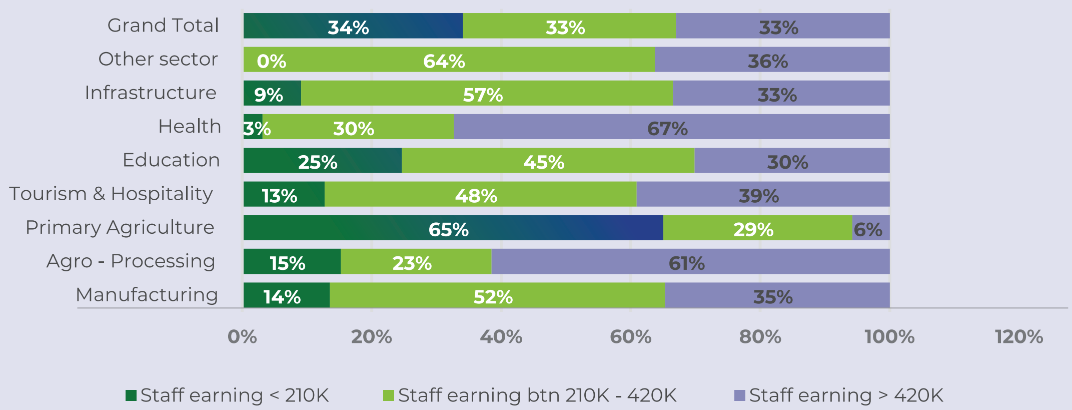
Employee earnings and benefits

Disparities in earnings were observed across sectors, with higher wages seen in sectors like health, Agro-processing, and Manufacturing. The assessment findings established that 34% of employees in total and 60% under special programs earned less than UGX 210,000 monthly respectively.

Further analysis indicates that 33% of the total employees earned between UGX210,000-UGX420,000 and 33 % earned more than UGX420,000; with a bigger proportion under Health, Agro-processing, and Manufacturing sectors.

Most employees in the Primary Agriculture sector (65%) earned less than UGX210,000 per month, placing them below the poverty line. However, there was an improvement of 15.0% in earnings from the 80% reported in 2022 to the 65% reported in 2023.

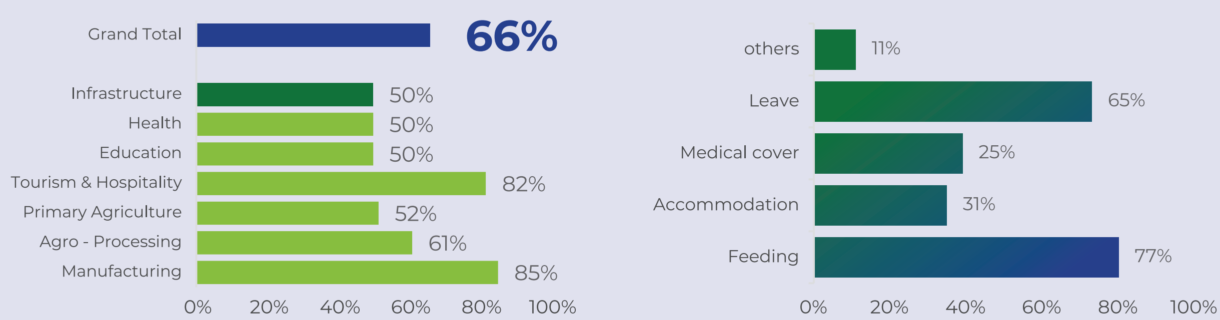
The preferred Mode of payment by UDB supported enterprises.



Social Protection

The Bank has remained steadfast in advocating for social protection and safe working spaces within its supported enterprises indicating the pivotal role it plays in improving the quality of life, fostering economic stability, and promoting social inclusion for sustainable development . From the 2023 expost assessments as shown in figure below, 66% of the projects were compliant with social protection requirements, that is remittance of NSSF as per the Bank definition. More compliance was observed or reported in the Manufacturing sector, Tourism and Agro processing with least compliance reported under the primary agriculture, education, and health sectors.

The levels of Compliance to staff benefits in UDB enterprises.



The high levels of compliance in Manufacturing, Agro processing and Tourism may be attributed to the level of business formalization or high awareness and greater oversight from relevant stakeholders as compared to the other sectors. Under tourism, the condition precedence set for all employees to be enrolled on to NSSF under the European Union tourism facility may be the driver of the 82% compliance.

Other Employment Benefits

Among the other benefits offered by the funded enterprises include feeding across all sectors with 77% of the assessed enterprises offering feeding to their employees, 65% of the enterprises offered leave days to their employees, only 25% did offer medical cover and 31% offered accommodation. Other benefits included transport, uniforms, shopping vouchers, airtime and data, quick staff loans etc.

Enterprises do offer employee benefits with the aim of attracting and retaining skilled workers, improving productivity, and building a more resilient and competitive business environment. To the Bank, employee benefits act as a catalyst in promoting inclusive economic growth, job creation, and poverty reduction.

From the 2023 expost assessment, the following was established on other employee benefit

Leave Days	Feeding	Accommodation	Medical Cover	Other Benefits
65% of enterprises granted paid employee leave. With all enterprise in health sub-sector granting paid leave and the primary agriculture sector being the least at 56%.	77% of the enterprises provided meals for employees. Health sub- sector being the least at 71.0% with all other sectors having more than 80% of the enterprises.	31% of the enterprises in the different sectors provided accommodation for their employees, mostly this was in the infrastructure, primary agriculture, and tourism sectors.	25% of the enterprise offered medical cover for their employees, this was most common in health, infrastructure, and Industry sectors, less in Primary agriculture and tourism.	Other benefits provided included PPE's, capacity development, transport, staff soft loans, staff advances compassionate allowance etc.

Social Inclusion

Prioritizing social inclusion in the Bank's development agenda is fundamental in fostering a resilient, inclusive, and sustainable society where no one is left behind. To the Bank, social inclusion symbolizes diversity and social cohesion which unlocks the full potential of individuals and societal segments where everyone can fully participate, contribute, and thrive.

From the ex-post assessment, 64% of the jobs created and maintained were filled by youth, 27% by women, and 0.25% by Persons With Disabilities (PWDs).

Additionally, 33% youth, 39% women and 0.2% of PWDs respectively were among the shareholders.

Furthermore, Women had a 31% representation on the board, youth 19% and PWDs 0.3%. Moreover, women had a significant 43% representation on senior management teams. Most importantly overall 22% of the enterprises were women owned given that more than 50% of shares are held by women. This insight shows a considerate engagement of these segments (women, youth, and PWDs) into meaningful work and leadership roles which enables them to exploit their full potential, pursue their aspirations, contribute to societies where they reside and national growth.

33,178	13,727	130
Jobs created & maintained were filled by youth	Jobs created & maintained were filled by women	Jobs created & maintained were filled by PWDs

Distribution of **diversities under social inclusion**

Women Inclusion

39%
of the Shareholders are women.

31%
Representation of women on the Board.

43%
Representation of Women on the senior management team in UDB supported enterprises.

27%
Share of the jobs created and maintained filled by women.

33%
Women owned enterprises.

Youth Inclusion

33%
of the shareholders are youth.

19%
Representation of Youth on the Board.

29%
Representation of Youth on the senior management team.

64%
Share of the jobs created and maintained are filled by Youth.

People with Disabilities Inclusion

0.2%
of the Shareholders are people with disabilities.

0.3%
Representation of people with disability on the Board.

0.4%
Representation of People with disabilities on senior management team in the UDB supported enterprises.

0.25%
Jobs created are maintained and filled by People With Disabilities.

Prioritizing social inclusion in the Bank's development agenda is fundamental in fostering a resilient, inclusive, and sustainable society where no one is left behind

Economic Impact

Economic contributions include contribution to Gross Domestic Product (GDP), taxes, growth in enterprise profitability and foreign exchange. UDB-supported enterprises contributed significantly to Uganda's GDP, with a 3.2% estimated contribution of revenues compared to national GDP in 2023. As in the table below, the industrial and services sectors were major contributors to total gross revenues, while primary agriculture had a smaller contribution.

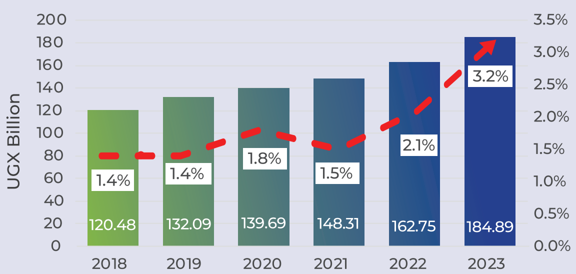
Sectoral Distribution of the generated Revenues (output) in 2023.

	Gross Revenues (output) in UGX Bn			Percentage Contribution
Priority Sectors	**Mainstream**	**Special Program**	**Total**	
Manufacturing	1,927.31	1.67	1,928.97	32.91%
Agro - Processing	1,979.21	14.16	1,993.37	34.01%
Primary Agriculture	508.58	7.11	515.69	8.80%
Tourism & Hospitality	1,139.26	1.13	1,140.39	19.46%
Education	4.56	0.48	5.04	0.09%
Health	118.92	0.97	119.89	2.05%
Infrastructure	142.91	-	142.91	2.44%
Other sector	14.40	0.49	14,89	0.25%
Grand Total	**5,835.16**	**26.00**	**5,861.16**	

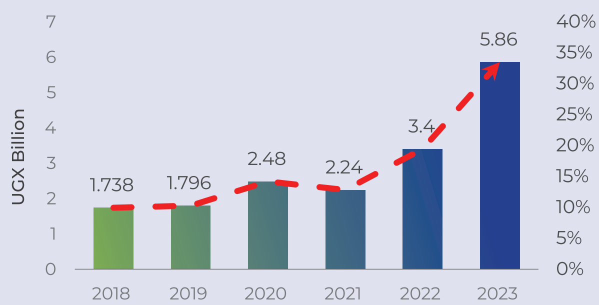
Five year revenue trend

A positive trend in total annual revenue was observed, despite a decline in 2021 due to the COVID-19 pandemic as summarized in the figure below.

Contribution of UDB enterprises to National GDP 2018-2023



Trend of the annual revenues of UDB supported enterprise 2018-2024



Profitability of Enterprises

UDB-supported enterprises posted over UGX869.05 Billion in profitability in 2023, indicating continued growth in financial strength and viability. Sectoral profit margins varied, with sectors like health and primary agriculture demonstrating higher profit margins compared to tourism & hospitality.

Contribution to Tax Revenue

Supported enterprises contributed approximately UGX236.08 Billion in direct domestic taxes in 2023, which is estimated to be 1.43% of the total national domestic taxes of 2023. The Industry sector contributed the highest as summarized in table below.

Tax revenue contribution by Sector of UDB supported enterprises in 2023.

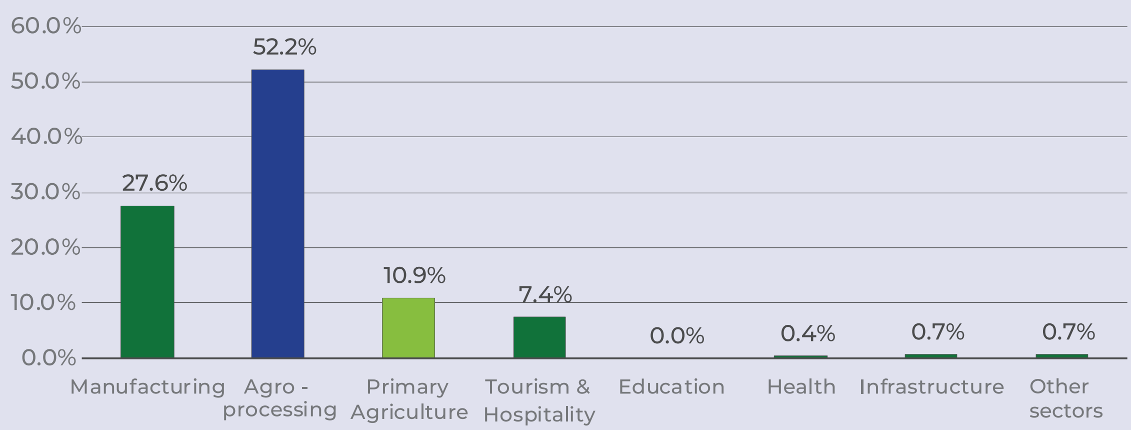
Sectors	Corporation Tax contribution	PAYE Tax contribution	Total Tax revenue	% contribution
Manufacturing	91.55	19.37	110.91	47.0%
Agro - Processing	53.04	12.80	65.84	27.9%
Primary Agriculture	31.81	3.60	35.42	15.0%
Tourism & Hospitality	4.87	2.67	7.54	3.2%
Education	0.24	0.09	0.33	0.1%
Health	6.41	1.47	7.87	3.3%
Infrastructure	5.79	1.13	6.92	2.9%
Other	0.92	0.33	1.25	0.5%
Grand Total	**194.63**	**41.45**	**236.08**	

Data Source: Expost primary 2023

Contribution to Foreign Exchange Earnings

UDB-supported enterprises realized USD equivalent of UGX953.12 Billion in forex earnings in 2023, with significant contributions from sectors like Agro-processing and Manufacturing. Foreign exchange earnings showed an upward trend over the past six years, with fluctuations attributed to economic conditions and the impact of the COVID-19 pandemic.

Sectoral contribution of forex earning by UDB supported enterprises 2023.



Data Source: Expost primary 2023

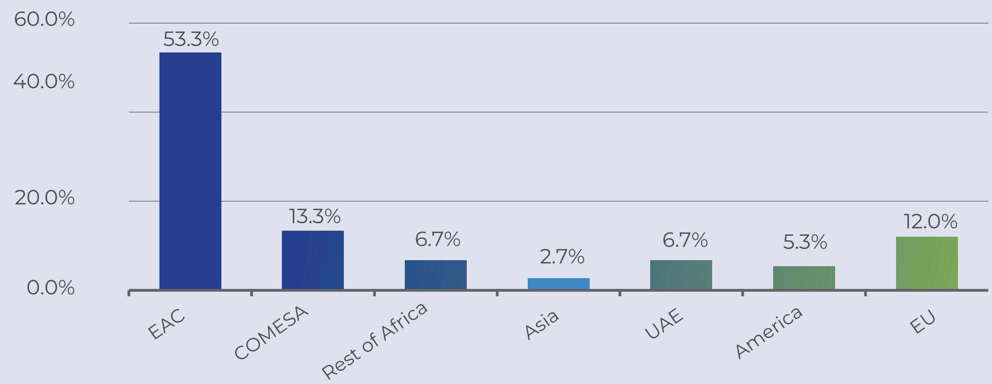
Market Access

The ability of enterprises to access and compete in domestic and international markets is crucial for economic development. While 74% of products were sold on the local market, 26% were exported, primarily to the East African Community (EAC) market.

74%

Of the products from UDB supported enterprises is sold in the local market

Figure 9: Showing the Export Markets for UDB Support enterprises in 2023



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

Sector Specific Analysis

Primary Agriculture

Primary Agriculture Allocation: The Bank channels financial support mainly to Primary Agricultural enterprises, both crop and livestock farming.

Main Activities Funded: The funding allocation in primary agriculture showcased a diverse approach aimed at enhancing productivity, resilience, and market access. Notably, the funding went to support the acquisition of animal breeds stands (34%), and crop seeds and seedlings (64%).

Additionally, 14% of the funding went to investments in feeds and pasture management, water for production (24%), livestock (18%), and asset financing for agricultural tools and mechanization (27%) for crops, this demonstrate a commitment to modernizing the sector and reduce post-harvest losses.

Major Livestock and Crops Grown: The Bank supports enterprises engaged in various crops, including staple food crops like maize, sorghum, and beans, alongside high-value cash crops such as coffee, tea, cocoa, and aloe vera. The bank's support to livestock farming focused on cattle (67% of funded enterprises), followed by goat, fish, poultry, and apiary farming.

Production, Productivity, and Post-Harvest Losses: Productivity improvements are seen in tea production, while grain and sugarcane farmers experienced moderate increases in yield. Post-harvest losses in 2023 were recorded, for example 11.2% in grains and 0% sugarcane for crops, 2.5% for Milk and 10% for honey in livestock.

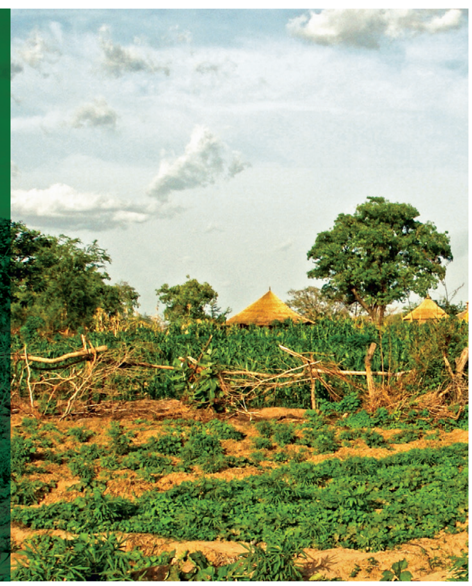
Adopted Methods of Farming: Mixed farming has the highest adoption rate at 17%, followed by organic farming and agroforestry at 10% each. Mechanization, irrigation, and mulching have moderate adoption rates, while precision agriculture, crop rotation, and conservation farming show lower adoption rates.

Industrial Sector

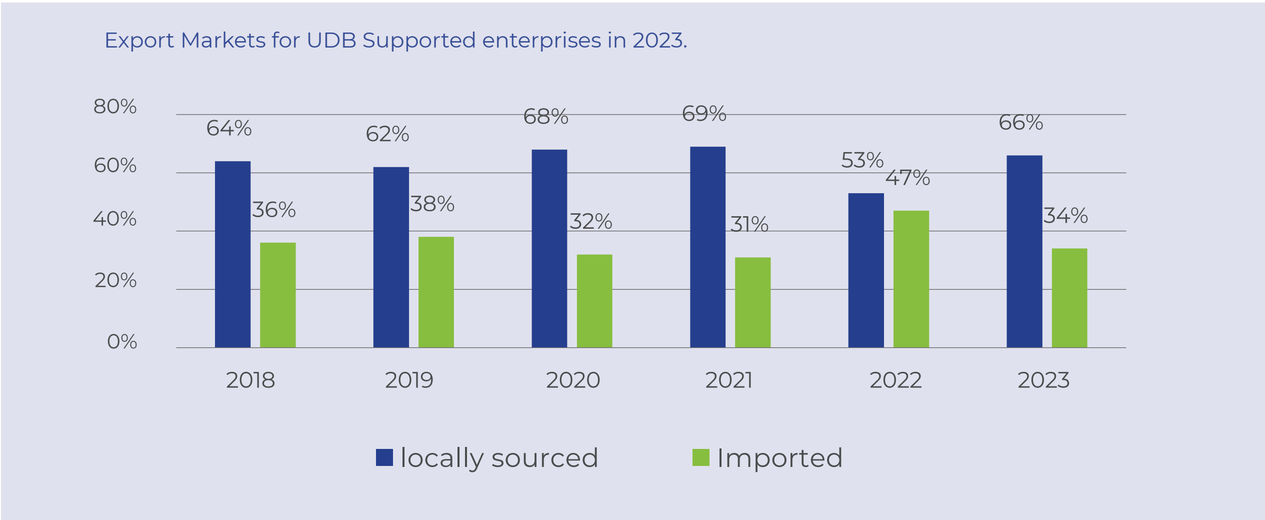
The Bank's support to the industry sector aims to catalyze industrialization, transform the economy, and enhance competitiveness.

Major Activities Funded: The Bank allocates funds primarily for industrial equipment purchase at 58%, raw material procurement at 41%, and working capital at 74%. A small portion (8%) is dedicated to civil works and construction.

Productivity improvements are seen in tea production, while grain and sugarcane farmers experience moderate increases in yield



Raw Material and Capital Equipment Sourcing: About 66% of raw materials are locally sourced. The level of sourcing locally may be attributed to the large number of agro-processing enterprises reached during the assessment who mainly rely on primary agricultural raw materials, which under pins the Banks efforts of value addition of agro products and the import substitution drive. On the other hand, all the SMEs relied on locally sourced inputs. The locally sourced input materials were from almost all the regions of the country especially for agro processing, depending on the products delt in. The capital equipment sourcing for this sector relies heavily on foreign markets at 80%, indicating limited domestic capacity in terms of producing capital equipment.



Data Source: Expost primary 2023

Capacity Utilization in the Industrial sector: Average utilization capacity increased from 61% in 2022 to 72% in 2023, showing positive momentum towards commendable levels to drive sustainable industrialization.

Reasons for Capacity Underutilization: Factors include inadequate raw material access at 55%, insufficient utility supply and storage capacity at 22%, limited market at 12%, inability to meet international standards, and machinery breakdown.

Technological Transfer: About 51% of enterprises that sought funds to acquire capital equipment, came with a component of soft skills transfer to the local workforce. Only 3% reported full technology transfer, which is the equipment, soft skills and hard skills including options of sourcing spare parts locally.

Foreign exchange/Export earnings for the Sector: In 2023, the industry sector accounted for 80% of total foreign exchange earnings at UGX760.93 Billion, with the East African Community being the primary export destination.

66%

Of raw materials are locally sourced. The level of sourcing locally may be attributed to the large number of agro-processing enterprises

Services Sector

The UDB interventions in the service sector targeted human capital development, health, and tourism development. Key findings from the expost assessment include.

Human Capital Development

A. Education sub-sector

The Bank supports investments in business, technical and vocational institutions as well primary and secondary education in hard to reach areas of the country. This funding is intended to improve skills required for the labour market with particular emphasis on vocational skills where the Bank finances the acquisition of educational equipment and development of education infrastructure such as classroom, library, and laboratory, including medical and nurse training institute construction and expansion.

Activities funded under education

As summarized in the table below, findings showed that majority (up to 70%) of the Bank support in the education sector is allocated to construction of learning spaces, indicating a focus on infrastructure development to accommodate growing student populations. 50% goes to working capital and 30% is allocated to construction of dormitories.

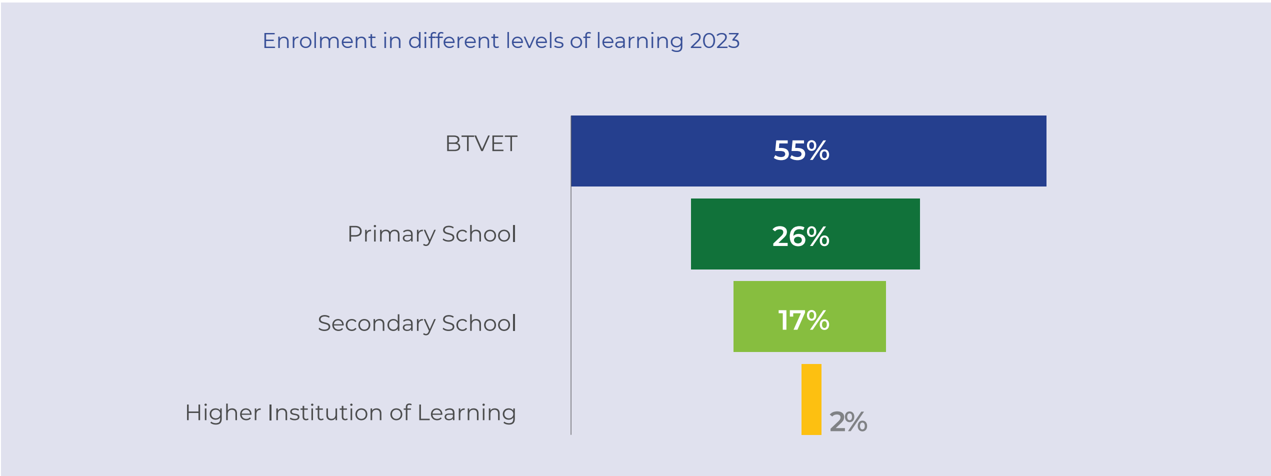
Nature of Funded activities	Percentage
Construction of Learning spaces	70%
Working Capital	50%
Construction of Dormitory/Halls of Residence	30%
Others	10%

Data source: Expost Primary data 2023

Education Enrollment

The Bank's prioritization of skills training stems from the country's skilling gaps amongst the youth. As summarized in figure below, the five BITVET or skills training institutions enrolled 2,098 trainees representing 55% of the total enrollment, 26% were in primary level and 17% in secondary with only 2% in high institutions of learning. A significant 60% of the learners enrolled were female and 40% male, 1% of the learners enrolled were those with disabilities.

The high number of learners under vocational and technical skills training programs underscores the importance of skills development in preparing students for the workforce. This is in line with the banks intended objective of cultivating a skilled workforce tailored to specific needs, thus propelling economic growth, and fostering improved quality of life among Ugandans. The statistics showed that a total of 4,862 students were enrolled in 2023 with 60% female. In addition, 28 of the total enrolled students were those with disability, highlighting a commitment to inclusive education.



Data Source: Expost primary 2023

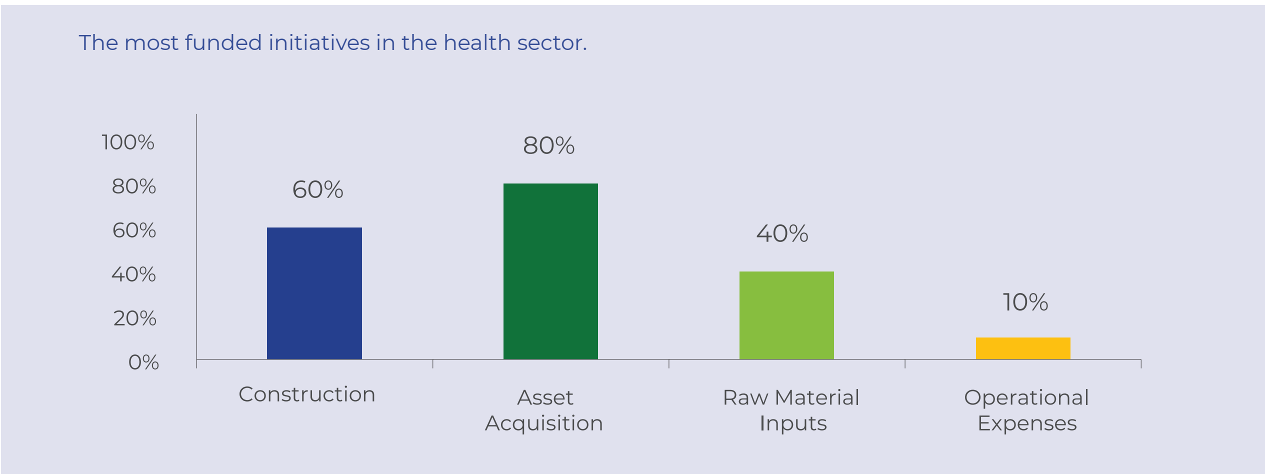
Education enrollment

Male	Female	PWDs
1,926	2,908	28
40%	60%	1%

4,862 **Enrollment in five BITVET or skills training institutions**

B: Health

The Bank compliments government efforts in the health sector by supporting private sector investments in the following, hospital and health facility construction and expansion and acquisition of medical equipment. As shown in the figure below, the Bank supports private sector investments in the healthcare sector, focusing mostly (80%) on the acquisition of medical equipment, hospital construction and expansion (60%), investment into acquisition of raw materials (40%), and 10% is working capital. This suggests a commitment to improving healthcare infrastructure and services to meet the growing demand for quality healthcare in the country.



Data source: Expost Primary data 2023

Main 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.

A total of 62,185 patients were served in the year 2023 by the surveyed health facilities, highlighting the significant role played by the supported health enterprises in catering to the healthcare needs of the population. Additionally, the provision of healthcare services to 686 foreign referrals underscores the importance of these facilities in serving not only local but also regional healthcare needs, an indication of potential medical tourism in the country.

Performance of key health indicators in 2023.

S/N	Health indicators	Status
1	Total number of hospital Beds	388
2	Total number of ICU beds	61
3	Total number of patients served	62,185
4	Number of foreign referrals handled	686

Data source: Expost Primary data 2023

Trend of Key Health Indicators
Growth of the health sector is measured based on the trend and growth of such indicators including number of hospital beds, number of medical workers and number of patients served over years, as summarized in the table below. The total number of hospital beds within the health enterprises grew from 140 in 2020 to 338 in 2023. This expansion indicates a proactive approach to enhancing healthcare infrastructure, which is essential for meeting the growing demand for medical services.

Similarly, the number of medical workers increased from 263 in 2020 to 593 in 2023, the total number of patients served is estimated at 248,305 from 102,281 in 2020.

The increase in the numbers of beds and patients served may be attributed to the increased Bank investments in this sub sector over the years.

Performance of the Key health Indicators in 2020-2023

S/N	Key indicators	2020	2021	2022	2023
1	Number of beds	140	197	264	388
2	Total number of ICU beds	-	-	-	61
3	Number of medical workers	263	284	466	593
4	Cumulative number of patients served	102,281	139,263	186,120	248,305
5	Number of foreign referrals handled	-	-	-	686

Data source: Expost Primary data 2023

C. Tourism Development:

- 84% of the investment in this sub-sector went to hotel/accommodation.
- 29% of the investment went to construction, 10% to asset finance, and 61% to working capital.
- 3,248 jobs were created and maintained under the tourism and hospitality industry in 2023.
- 2,042 hotel rooms were available in 2023, from 618 rooms reported in 2022 and can accommodate up 2,469 guests a night at full capacity.
- The average room rate was UGX385,907 per night. While the maximum room rate was at UGX 2,220,000.
- Top five visitor origins were in: UK, USA, Germany, France, and Canada. Other countries of origin for visitors include India, Kenya, South Sudan, Congo China, Italy, Holland Japan, Ethiopia, China, Mexico, Poland, and Switzerland

D. Infrastructure Development:

The Bank's interventions in infrastructure development focuses on the following, energy infrastructure (generation, transmission, and distribution), transport infrastructure, water for production infrastructure and ICT infrastructure.

- Road construction/rehabilitation was at 56% and powerline construction/maintenance was at 11% are prioritized.
- Diversified approach to infrastructure development including electricity connection, social infrastructure, and renewable energy.
- 351.82 km of roads improved, with one bridge constructed.
- 1,000 km of power lines extended and 210 km rehabilitated, aiming to connect an estimated 58,000 households.

These statistics underscore the Bank's efforts to enhance human capital, healthcare, tourism, and infrastructure, aiming to drive economic growth, create employment, and improve the quality of life in Uganda.

Environmental Sustainability

Environmental sustainability is a priority for UDB, which deploys various strategies to ensure enterprises prioritize environmental sustainability in project implementation. These include conducting environmental impact assessments, monitoring compliance with regulations, and supporting initiatives for mitigating and adaptation to prevent adverse environmental impacts.

Environmental Compliance

- **NEMA Certification:** 72% of assessed enterprises were certified by NEMA in 2023, up from 56.5% in 2022. Most health enterprises at 98% and industries at 90% had NEMA certificates.
- **Environmental Audits:** 57% of enterprises conducted annual environmental audits, mainly in agro-processing and manufacturing.

Emissions Assessment

Renewable Energy vs. Non-Renewable: Enterprises utilizing renewable energy emitted about 32.8 Mt of $C0^2$ emmissions per project, lower than those using non-renewable energy which produced about 69.18 Carbon Footprint (tCO2e) per project.

Climate Action

- **Mitigation Initiatives:** Enterprises focus on resource use efficiency, afforestation, and adopting cleaner production technologies to combat climate change.
- **Energy Use Efficiency:** Hydropower (42.9%) and fossil (28.8%) are primary energy sources, with growing adoption of solar energy.
- **Sustainable Waste Management:** Enterprises prioritize waste reduction, recovery, reuse, and recycling to promote environmental sustainability.
- **Waste Disposal Methods:** Most projects have adequate waste management capacity, utilizing strategies like composting, recycling, and energy generation.

ENVIRONMENTAL AND **SOCIAL RISKS MANAGEMENT**

UDB's environmental and social Risks appraisal process is designed to ensure its investments and lending activities have a positive impact on the environment and society

Background

In pursuit of its holistic sustainability as a leading Development Finance Institution, the Bank continued to play its crucial role towards achieving the Sustainable Development Goals (SDG) and addressing climate change concerns in 2023 and for the foreseeable future. As such, the Bank attained a Fitch ESG Relevance Rating Score of '4[+]' as a statement of our commitment to promote environmental and social sustainability in our lending operations.

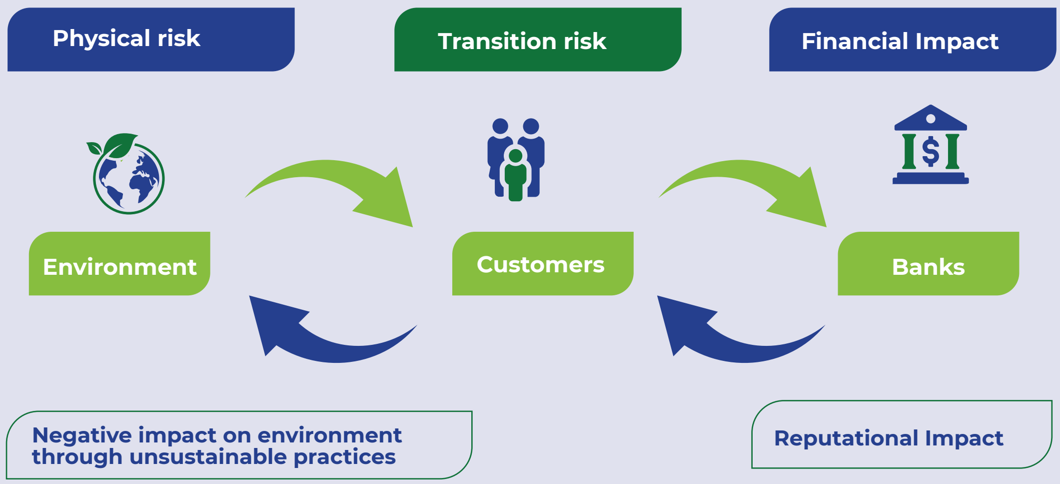
Implementing sound Environment and Social Management Systems that are scalable for the Bank and its customers is central to the Bank's core business cognizant of the direct Environment and Social impacts (such as energy use, waste generation, greenhouse gas emissions, occupational health and safety, child labour among others.) that if not addressed could affect the funded projects' sustainability and subsequently generate credit risks to the Bank as demonstrated in the figure on page 101.

Approach to E&S Risks Management

The Bank's holistic Sustainability approach outlines the manner in which it incorporates and promotes Institutional, Economic, Environment and Social considerations in all its lending and investments activities with measurable indicators anchored in all its operations in accelerating socio-economic development through sustainable financial interventions.

> "
> Implementing sound Environment and Social Management Systems that are scalable for the Bank and its customers is central to the Bank's core business

Figure 1: Risks inherent to the Bank as a result of unmanaged E&S Risks



(Source: IFC, 2020)

E&S Risks Management Process

UDB's environmental and social Risks appraisal process is designed to ensure its investments and lending activities have a positive impact on the environment and society. Our environmental and social risks management team implements the relevant policies to promote consistency in supporting and enhancing the Bank's decision-making processes. They identify, mitigate, and manage environmental and social risk, while ensuring increased development impact. The bank strives to achieve net positive environmental (such as biodiversity, ecosystem services and water security) and social outcomes as well as net positive social and economic outcomes where opportunities present. Below are some of the key procedures involved in the environmental and social appraisal process.

> "The Bank strives to achieve net positive environmental as well as net positive social and economic outcomes where opportunities present

i. As part of the preliminary transaction screening during the onboarding process, the project is screened against the bank's exclusion list to ascertain its eligibility for consideration for further due diligence.

ii. Identifying and assessing environmental and social risks: The first step is to identify and assess the environmental and social risks associated with the project. This includes identifying potential impacts on air quality, water quality, biodiversity, and human health.

iii. Mitigating and managing environmental and social risks: Once the risks have been identified, they need to be mitigated and managed. This may involve implementing measures to reduce pollution, protect wildlife and improve working conditions.

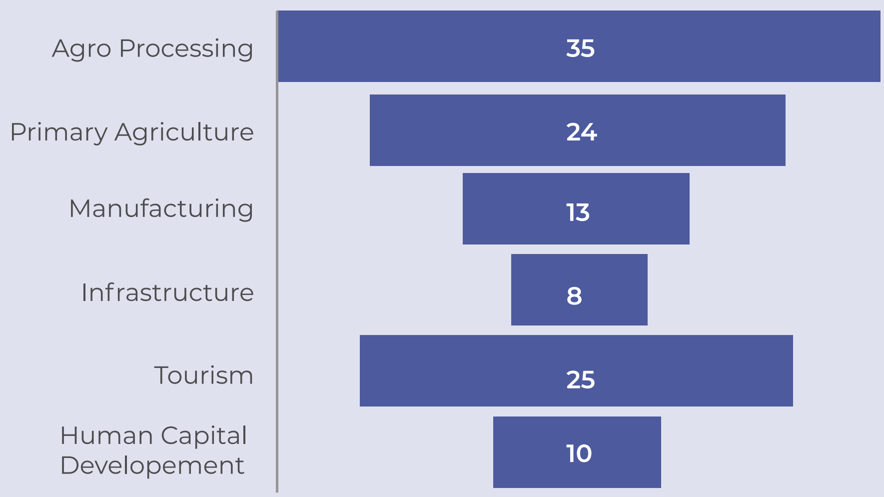
iv. Monitoring and evaluating environmental and social impacts: The final step is to monitor and evaluate the environmental and social impacts of the project. This helps to ensure the project is meeting its environmental and social objectives.

Managing the Client E&S Compliance

As applicable as possible, transactions are monitored to ensure clients meet their Environmental and Social commitments. The frequency and type of monitoring are determined by the type of transaction and the level of Environmental and Social Risks. High-risk transactions, transactions categorised as category "A" and category "B" (where appropriate) under the Bank's ESMS, are monitored more closely.

As applicable, the Environmental and Social Risks team undertakes site monitoring visits to ensure that borrower E&S performance is being managed appropriately. In cases where clients are not compliant with E&S requirements, the E&S Team works with them to achieve the necessary standards. In 2023, a total of 115 finance transactions from the different Bank priority sectors were monitored as indicated in the figure below.

Figure 2: E&S Project Monitoring by sector



Transactions Appraised Against E&S Risks

As part of the Bank's credit process, all transactions before onboarding for financing must be screened against the four environmental and social risk categories i.e., A[1],B[2], C[3] or FI[4] (Financial Intermediaries). These categories denote the magnitude (sensitivity, nature, and extent) of potential E&S risks/impacts associated with the implementation of financed projects and to determine the level of the assessment required.

In 2023, 74 transaction requests were assessed against the E&S risks. Majority (77%) of the appraised transactions were brown field (existing) projects and the rest (13%) were start-ups (greenfield projects). In terms of E&S risk categorisation, 81% of the appraised projects fell under B risk category (medium), 18% under category C (low risk) and just 1% under Category A (high risk).

For all transactions categorised as A, a detailed risk assessment was 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 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.

Figure 3: Annual Breakdown of Bank's appraised projects by category in 2023

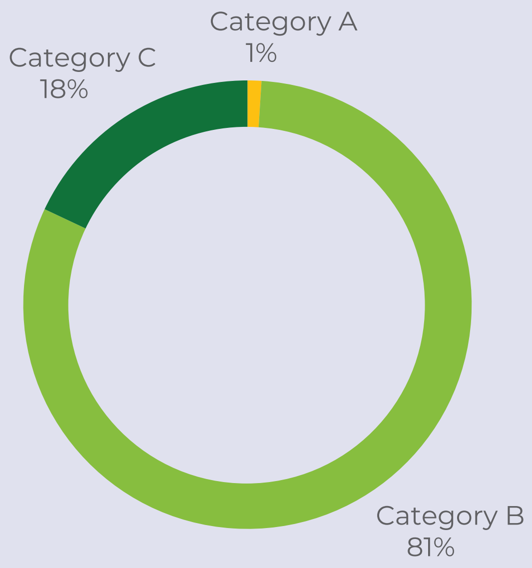
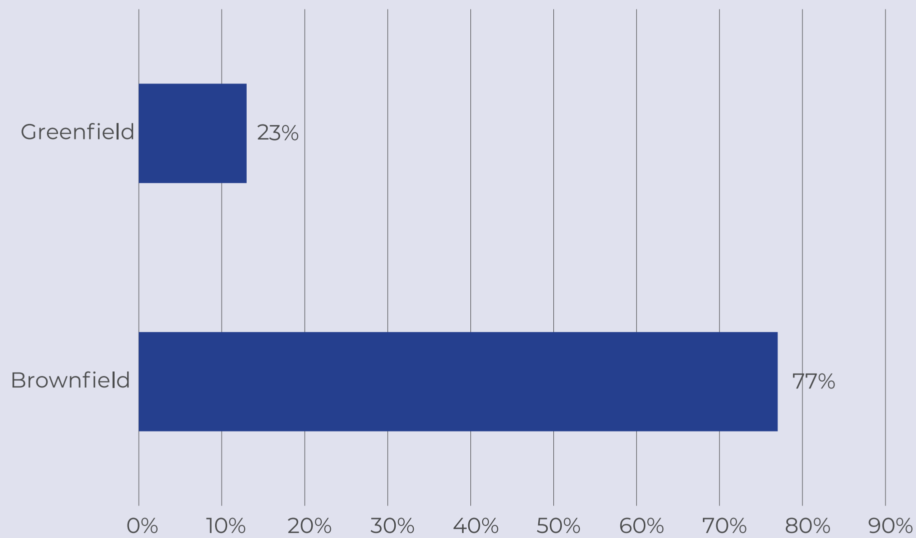


Figure 4: Operational nature of the appraised projects



Internal Environmental and Social Risk Training and Awareness

Internal E&S Risk training is conducted for staff members, focusing on general E&S risks awareness, UDB's E&S Risk management systems and processes as well as relevant environmental guidelines, standards, and requirements. Trainings are hybrid to include classroom and online, using the Bank in-house training platforms. In 2023, the trainings included ESG Role of Management and, E&S Risks Management.

Bank's 2023 Internal Carbon Footprint

The Bank is cognizant of its contribution to GHG emissions through its lending operations and as well as its borrowers' financed activities. To account for the Bank's Greenhouse Gas Emissions Inventory/ carbon footprint, from our operations for the year 2023, 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. The estimation was conducted using emission factors obtained from the Intergovernmental Panel on Climate change (IPCC). Hence, the organizational boundary was still used because it defines the businesses and operations that constitute the company for the purpose of accounting and reporting greenhouse gas emissions. Therefore, UDB's carbon footprint used the operational control approach and categorizes them into different scopes, either direct or indirect. Scopes used included:

1

Scope 1 (or 'direct') GHG emissions that occurred from sources that are owned or controlled by the Bank, for example, emissions from combustion in bank-owned vehicles were estimated as indicated in Figure 4 below. As at the end of 2023, the bank owned a fleet of 8 vehicles all of which rely on diesel as the fuel source.

2

Scope 2 (or 'indirect') emissions that physically occurred at UDB offices were estimated for electricity generated using generators specifically at UDB Towers and the Munyonyo office, electricity to power the mowing machine at Munyonyo office and electricity purchased from the national grid. Generators consume petrol and this was factored into estimating the emissions generated in 2023.

3

Scope 3 (or other 'indirect') GHG emissions from Bank's activities occurring from sources not owned or controlled by the Bank were also estimated. These include emissions from waste, transportation, electricity consumption, and water usage.

Figure 5: 2023 UDB's Carbon Footprint by source

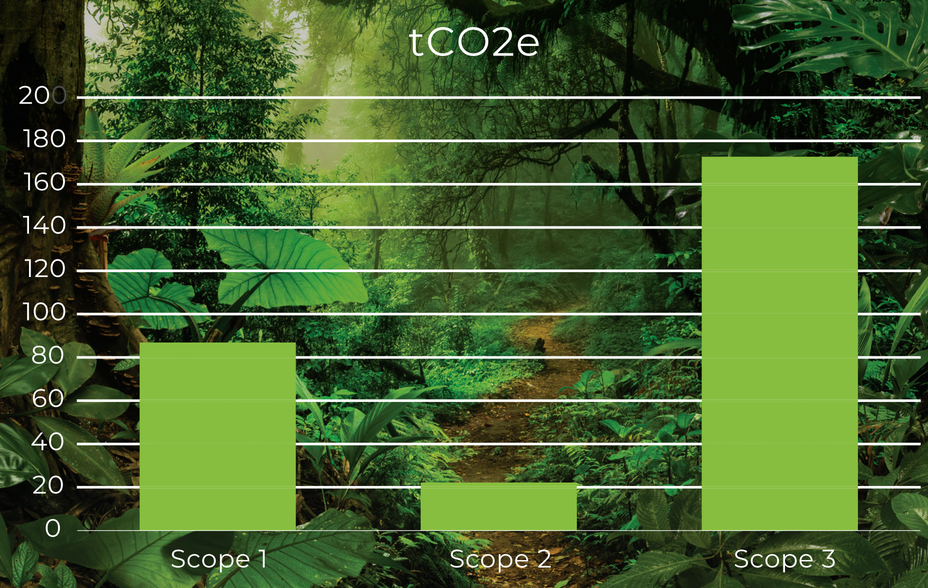
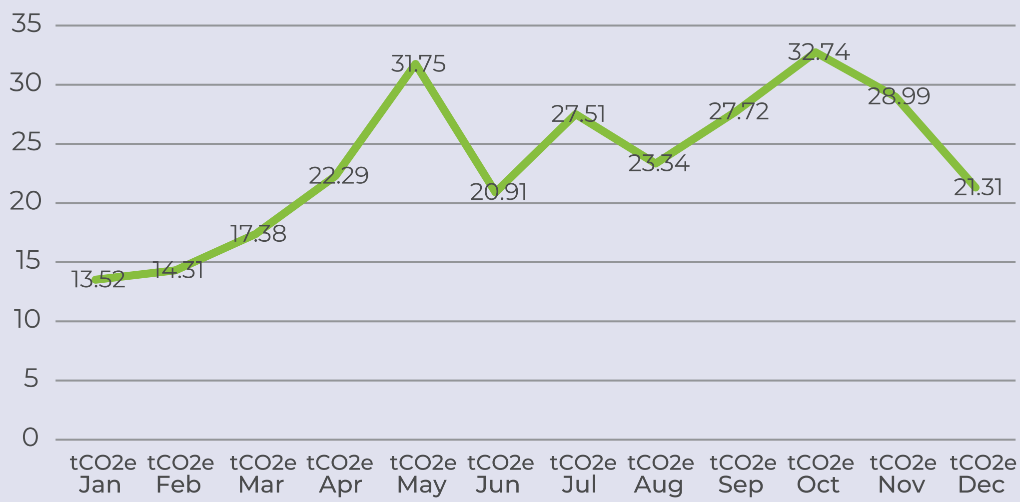


Figure 6: Monthly trends of GHG emissions for 2023



In 2023, the Bank monitored its internal footprint through the monthly Risk Management Committee and Executice Commitee. Based on the registered major contributors of the bank's internal carbon footprint, a number of measures were adopted to improve internal processes and subsequently redu-cethe Bank's carbon footprint. Some of the adopted and suggested measures for adoption include among others:

i. Use of electronic platforms such as Docusign for all internal document approvals to make significant savings on paper usage, power consumption, waste reduction among others. In 2023, Docusign offset 16.0458tCO2e of the Bank's carbon footprint through savings made on the parameters indicated in the table below.

ii. Installation of motion sensor lights that automatically switch off when not in use alongside maximising the use of natural lighting.

iii. Promotion of a paperless culture through adoption and use of E-Platforms, for meetings, communication, and other Bank day-to-day operations.

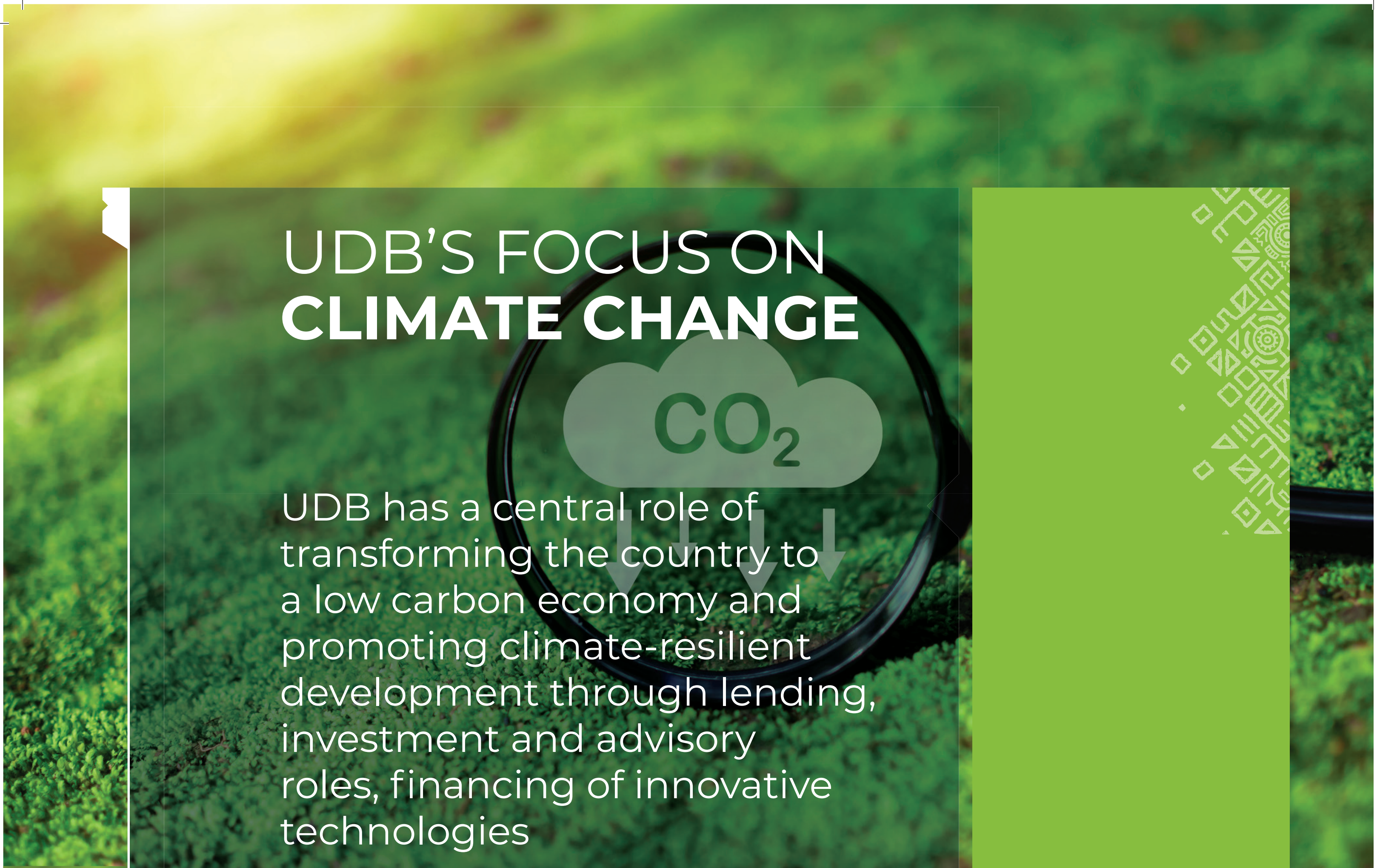
iv. Adoption of mass staff transit vans to significantly reduce significantly on staff commuting emissions.

v. Adoption and use of reusable water cups to replace disposable plastic cups and subsequently reduce on waste generation.

vi. Installation of solar panels to facilitate internal energy mix of solar and hydropower thus reduce energy usage.

Table 1: GHG emissions offset by Docusign in 2023

lb	Elements	Tonnes
12,865	Carbon emissions	5.8355
16,139	water conserved	7.3205
5,481	wood saved	2.4861
890	waste eliminated	0.4037
	Total	16.0458



UDB'S FOCUS ON **CLIMATE CHANGE**

UDB has a central role of transforming the country to a low carbon economy and promoting climate-resilient development through lending, investment and advisory roles, financing of innovative technologies

Leading the net-zero transition through climate smart investments

Our Climate Aspiration

More often than in the past, we have witnessed renewed evidence of climate change through increased frequency and intensity of extreme weather events such as floods, prolonged droughts, landslides, rising temperatures, and heat waves. Observed effects include the drop in water levels, increased prevalence of pests and diseases, and reductions in crop production and productivity. As the climate crisis continues to unfold, the impacts threaten human and physical assets and have far-reaching consequences for human well-being, economies, and markets causing significant socio-economic losses.

With limited adaptive mechanisms to respond to climate shocks, over 70% of Ugandans who depend heavily on micro, small, and medium enterprises (MSMEs) for employment in the natural resources sector have less capacity to withstand financial shocks. This presents an urgent need for significant climate financing to adapt to the physical effects of climate change.

The response to these impacts requires us to anticipate, prepare for and enhance our adaptive capacities. Delays in advancing climate action increases the vulnerability of the population and exacerbates climate impacts as well as mitigation costs. Therefore, delivering on the targets set in the Paris Agreement of keeping the global temperature rise at "well below 2 degrees, preferably 1.5 degrees Celsius" above pre-industrial levels and realizing commitments in the recently updated NDC for the country is time critical. Uganda has an ambitious economy-wide mitigation target of 24.7% reduction below the Business As Usual (BAU) in 2030 and therefore requires urgent need to adapt and maintain future economic growth opportunities.

> "
>
> For the first time, the Bank participated in the Annual United Nations (UN) Climate Summit. This was; the 28th UNFCCC Conference of Parties (CoP 28) which took place in Dubai, in the United Arab Emirates (UAE)

Ramathan Ggoobi (PSST, Ministry of Finance, Planning and Economic Development), launching the Climate Finance Facility.

By virtue of UDB's unique position in facilitating the capital flows, it has a central role of transforming the country to a low carbon economy and promoting climate-resilient development through lending, investment and advisory roles, financing of innovative technologies with less stringent conditions and providing incentives to maximize the impact of such measures.

This section of the report highlights our accomplishments and advancements as well as our continued commitment to scale up efforts towards climate action through responsible financing, credible assessments, fostering knowledge exchange, sharing and learning, benchmarking best practice and enhancing strategic partnerships albeit the challenges and lessons we've learned along the way.

UDB launches Climate Finance Facility

To strengthen our commitment in achieving a climate smart economy, the Bank launched a Climate Finance Facility (CFF) on April 5, 2023, with seed capital of UGX50 Billion. This is a Special Purpose Vehicle with a unique and specific focus on project finance and non-financial interventions that are intended to unlock and catalyze private sector investment and commercially viable public investments in local green sectors that drive green impact and financial inclusion.

The non-financial solutions mainly focus on support towards project preparation and the Business Accelerator for Successful Entrepreneurship Program. The aim is to unlock the technical and financial bottlenecks that oftentimes curtail the maturity of viable project ideas into bankable projects. Transforming ideas into bankable projects requires extensive early-stage investment and technical skills, aspects that are not usually available for aspiring developers of green projects.

The CFF is designed as a blended finance model to provide tailored solutions for low-carbon markets, build local expertise in green finance and provide for financial sustainability. The facility is a pathway for mobilizing climate finance and directing it towards low carbon and climate resilient investments to address market gaps through risk mitigation products and derisking instruments. The Bank continues to source for and attract non-repayable grants for blended financing.

Additionally, the Bank arranges and structures deal transactions that can shape development of green innovations, technologies and markets. The idea is to build a strong pipeline of deal syndications, attract co-investments and demonstrate climate finance engineering solutions in the local context.

UDB @ COP 28, the 28th UNFCCC Conference of Parties

International cooperation is critical to securing the investment we need to foster the transition to a climate smart economy. Through targeted strategic engagements such as the UN Climate Change Conferences, we have an opportunity to represent the most vulnerable and voice their interests.

For the first time, the Bank participated in the Annual United Nations (UN) Climate Summit. This was the 28th UNFCCC Conference of Parties (CoP 28) which took place in Dubai, in the United Arab Emirates (UAE), between 30th November and 12th December 2023, and the Bank was represented as governments and other stakeholders discussed how to mitigate and enhance adaptative capacity to climate change impacts.

In the spirit of shared determination to close the gaps by 2030, over 100,000 participants shared ideas, solutions, and strengthened partnerships and coalitions. The decisions taken reemphasized the critical importance of empowering all stakeholders to engage in climate action.

Climate finance took centre stage at the conference as the great enabler of climate action. The Bank has stepped up efforts to grow its reputation through accreditation mechanisms established by the multilateral financial architecture to benefit from the various innovative sources of finance. The Bank is currently pursuing accreditation with the Green Climate Fund and the Adaptation Fund, to open up more funding opportunities for green investments.

The Bank's participation at the COP 28 boosted the visibility of our Products and the Climate Finance Facility beyond the national level and established international recognition, strengthened global partnerships and collaboration with potential development partners and benchmarked best practice for scaling up. The event provided several entry points for joint programming and implementation of locally led climate solutions especially for developing countries like Uganda.

Investing in the transition to a green economy

In the year 2023, following the launch of our Climate Finance Facility, the Bank approved projects worth UGX92 Billion, constituting 13.3% of the total funding approvals. Projects were approved in the sectors of Climate Smart Agriculture, Climate Resilient Infrastructure, Green Manufacturing, Low Carbon Industry, and Eco-tourism.

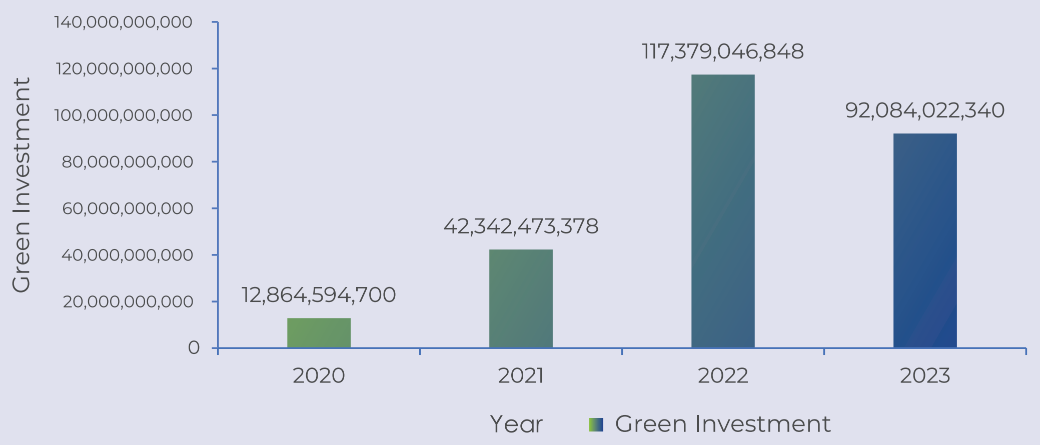
13.3%

Total green project funding approvals

" The Bank's participation at the COP 28 boosted the visibility of our Products and the Climate Finance Facility beyond the national level "

The team from UDB, led by MD Patricia Ojangole, held several bilateral meetings on the sidelines of COP28 in the areas of green finance.

Figure 6: Annual trends in green investments



Our sectoral focus for greening in 2023

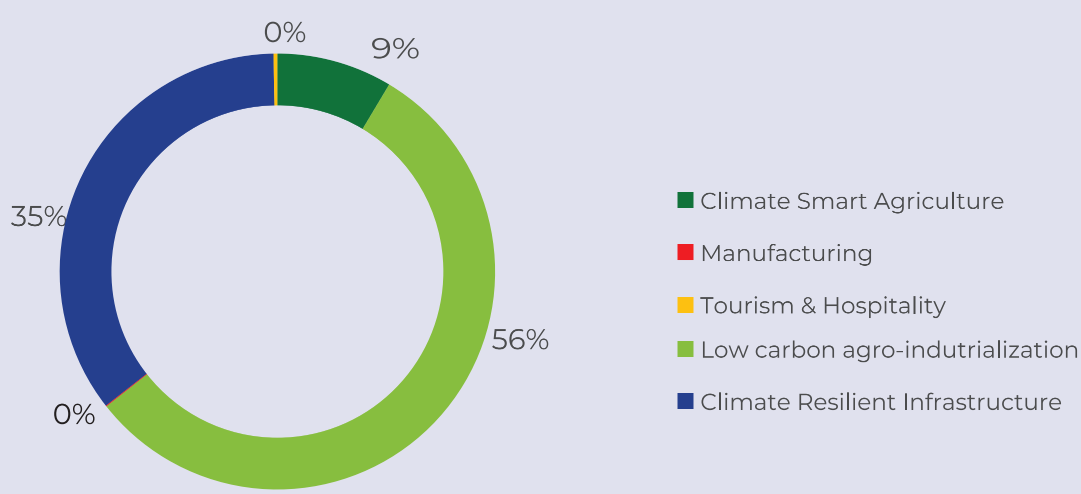
Urgent action is critical for mitigating the catastrophic effects of climate change, and building the resilience of our communities, businesses, and industries to adapt is a priority. This calls for deployment of the right tools and instruments to improve climate risk management.

In light of the above, the Bank supports its clients to respond to the shocks of climate change impacts through both financial and non-financial interventions. Accordingly, 61% of the total approved green loans was invested in mitigation interventions focusing on cogeneration, solar energy, irrigation, waste water treatment and sustainable forest management.

The funds approved for green projects targeted interventions in low carbon industries (56%), followed by adaptation strategies in climate resilient infrastructure (35.3%) and climate smart agriculture (8.6%). Eco-tourism and green manufacturing had the lowest approvals at 0.3% and 0.1% respectively.

The Bank also realised first time approvals in new sectors such as eco-tourism where investments in the use of clean energy, water use efficiency, biodiversity conservation, among others were noticed.

Figure 7: Percentage share of green investments by sector in 2023



UDB's support to Green Projects

Decarbonizing the high impact sectors through flagship projects

Catalyzing the **energy transition** through **renewables**

The 38,000 Solar Panels constituting the Xsabo Solar Power Plant.

UDB finances a multi Billion solar project, Xsabo Nkonge Solar Power Plant

The most significant driver accelerating the transition to renewables is energy cost. Solar has been identified as one of the cheapest forms of new and renewable electricity generation in Uganda and realigning finance flows is critical not only to its success, but also the just energy transition to meet climate targets. Because electricity is a key enabler for socioeconomic transformation through industrial and productive use, UDB is a proud financier of solar projects.

The Project: About 40km from Mubende town in Nkonge Village, Bukuya Parish, in Kasanda District, lies a 20MW/AC Solar Power Plant constructed, owned, and operated by Xsabo Nkonge Solarline II Limited – a company with vast experience in developing large grid-connected, privately funded solar power plants not only in Uganda, but also in Sub-Saharan Africa. Some of their projects in Uganda include the 20MW/AC Pilot Solar Park in Kabulasoke and the 50MW/AC Xsabo Lira Solarline yet to be commissioned.

Seated on over 127 acres of land are 38,000 well-constructed solar panels that use a horizontal tracking system to produce 39.4 GWh per annum. The solar panels are simply powerful pieces of technology that absorb sunlight and convert it to renewable energy. The panels are spaced between each row, with specific installation and maintenance for maximum efficiency.
Alongside the size and quality of the land, its location plays a key role in determining the viability of the solar project. This partly explains why it is within the vicinity of three phase power and a substation. To support the electrical grid, the project generates a fair amount of solar energy and this aligns well with its location, equipment efficiency, and maintenance of the materials.

When completed, Xsabo Nkonge Solarline will arguably be the largest grid-connected, privately funded solar power plant not only in Uganda, but also in East and Central Africa. Additionally, the plant uses the most modern technology in Sub-Saharan Africa in terms of efficiency, safety, and longevity.

The Impact: The project will unlock opportunities in other high growth sectors of the economy such as manufacturing and transport through **subsidised cost of power**, it has created over **400 direct jobs**, it is expected to generate taxes of about **UGX1.5 Billion**, contribute to foreign exchange earnings of about **UGX670 million** and more importantly, reduce the carbon footprint by **22,463.89 tCO_2e**. The project is also associated with Corporate Social Responsibilities that seek to extend clean water to the neighbouring communities and support technical skilling of community members through various educational programs.

Ecotourism that offers potential for **conservation and development**

One of the cottages at Kikorongo Safari Lodge.

UDB supports Kikorongo Safari Lodge to establish an ecotourism facility

While the ecotourism drive is bringing new revenue streams to potential investors and local communities, there is need to preserve invaluable ecosystems and promote biodiversity conservation within and around the tourism facilities sites. In light of this, UDB is keen on financing but also balancing development and conservation. Through our Climate Finance Facility, we finance tourism businesses that promote ecological conservation, directly benefit the economy, and empower the local communities through creation of employment opportunities among others.

The Project: Within a landscape of steep slopes of the Kasese hills along the Kasese - Mpondwe road about 25 km South of Kasese District, one cannot miss Kikorongo Safari Lodge – one of the eco-tourism projects financed by UDB. The eco -lodge is seated on approximately 18 acres of land and 70% of this is covered by different species of trees and shrubs including neem trees, mangoes, guavas, etc.

The place name – Kikorongo, is one of an interesting history. First, Lake Kikorongo was previously referred to as dead because it had dried up. It, however, came back to life as Lake Albert experienced increasing water levels. Secondly, the Bakonjo, a prominent tribe in the area, were known to be 'meat eaters' but during the times of scarcity, they fed on ground nuts locally known as, '*Omukorongo*' from which the area name originated.

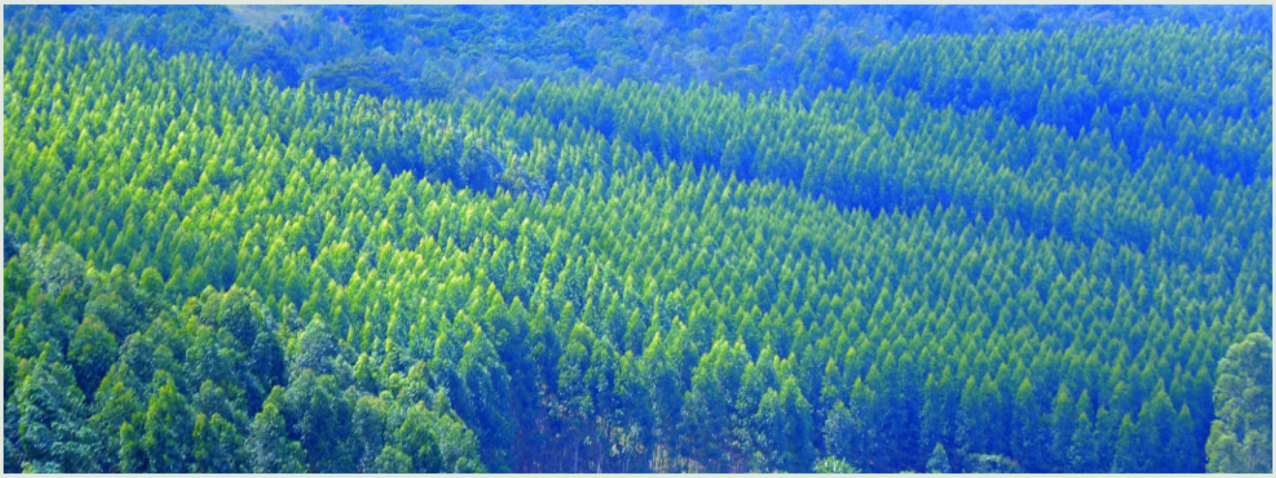
The luxurious tourist lodge has magnificent views of Queen Elizabeth National Park, Rwenzori (Mountain) Forest National Park, and Kibale Forest National Park, nestled between Lake George, Lake Edward, Lake Katwe (Salt Lake) and the Kikorongo Crater Lake

The surroundings are also quite unique because they are home to some rare plant and animal species that are found nowhere else in the world. One such species is the African manatee, which inhabits Lake Kikorongo along with other species such as fish eagles, cormorants, and pelicans. The area is also home to several types of primates such as chimpanzees and gorillas, a variety of wildlife, including antelopes, elephants, hippos, and crocodiles. It also boasts an impressive array of birds and plants. All this makes the area a strategic location for tourism. The lodge already receives visitors from different parts of the world including the USA, United Kingdom, Italy, and Russia.

The Eco-lodge is designed with local temporary materials which are good for biodiversity conservation. For example, the Mountain Rwenzori rock, river stone, handmade ceramic tiles, and oven-red clay bricks all from natural materials, are used to construct and design the shelter and surrounding environment.

The Impact: The project provides **employment to over 46 people**, contributes to **foreign exchange as 20% of the visitors are foreign tourists**, and **over UGX30 million in tax contributions per annum**. In addition to the hedonic value provided by the ecolodge through beautiful sceneries, nature walks, swimming, and hiking activities among other activities, an integral part of ecotourism is the promotion of recycling, energy efficiency, water conservation, and creation of economic opportunities for local communities. Using a low-cost gravity flow water system, the facility **saves about UGX 2m in water costs and over UGX500,000 in electricity costs** monthly through the use of solar and LPG. This contributes to avoided emissions estimated at about **0.87 tCO_2e** and **1.04 tCO_2e** for water and electricity annually.

UDB providing innovative financing for **sustainable forest management**



One of the Ambiance Tree Plantations.

Ambiance Tree Farm

Sustainable forest management is a new investment area, unfamiliar to most investors. Most promising investments in sustainable forestry do not have a long track record of strong financial performance, which is one of the key requirements for attracting credit. In addition, forest management is capital intensive and a long-term investment. Access to finance is often constrained as forests are often not acceptable collateral for debt, lending policies favour short-term loans with low risks, and interest rates are often higher than growth in the value of forests. In light of these challenges, UDB's lending model through the Climate Finance Facility can be used as a benchmark for channelling and scaling up investment to sustainable forestry activities. A notable example of this is the Ambiance Tree Farm Project supported by UDB.

'Ambiance' is a popular business name in the cities of Kampala and Masaka. The company which started as a small family business boasts of a wealth of experience of over two decades in managing indigenous enterprises and seeing them grow from scratch. First as a merchandising trader, then an entertainment entrepreneur and later evolving into manufacturing, they are shrewd with a strong acumen for success. With intensive apprenticeship, first-hand business learning through practice and demonstration, the company takes risks and leverages high returns from many of their ventures.

The Project: Ambiance Tree Farm was started in 2019 as a tree farming business with an aim of widening its operations to utility wood production. In one year, the company had acquired and established 2.5 square miles of forest cover. Currently, it operates over six square miles of tree farm plantations in Masaka, Kalungu, Mpigi, Butambala, Gomba, Mukono and Buikwe districts and own a production plant in Kamutuuza, 2 kilometres from Buwama trading center, along Kampala-Masaka Highway, in Kalungu District.

The company has invested Billions of shillings in tree growing demonstrating their passion for it not just as a business but also a sustainability concern for their enterprises. The farm mainly grows tree species of Eucalyptus, Alcaria, Terminalia, and Pine. From these, they manufacture wooden utility poles that are used to support overhead power lines and other public utilities, such as electrical cables, fibre optic cables, and related equipment such as transformers and streetlights. The poles can also be used to meet construction needs such as scaffolding and fencing.

The project provides for sustainable forest benefits including ecosystem services through replanting of forests after harvesting, while selective logging and thinning prevents felling of the entire stand. **In 2023 alone, the farm planted over 1,700 hectares of new forests.** These sustainable forest management practices aim to maintain and improve the productivity, diversity, and resilience of forest ecosystems providing outcomes that are socially just, ecologically sound and economically viable.

The Impact: The project employs **42 permanent and 800 seasonal workers**. It generates **UGX290m in tax contribution** annually and provides for foreign exchange through exportation of some of the wood products. The plantations provide ecosystem services such as carbon sequestration, landscape restoration, climate regulation, water conservation, provision of timber among others, and therefore complement but not substitute protection of natural forests. As such, the mitigation impact and adaptation co-benefits associated with the project are significant. The plantations are seated on an equivalent of **1,554 hectares** and these contribute to a carbon balance of **372,897 tCO_2eq annually**.

Facilitating **Climate Smart Agriculture**

Improving adaptation strategies in the livestock sector – The Case of Gomba New Generation Model Farm (GNG)

Agriculture is a key priority sector for the Bank with a clear focus on increasing food security while using fewer natural resources, considering improved efficiencies throughout the food value chain. The idea is to transform the smallholder dominated subsistence agriculture into an innovative, commercially oriented and ecologically sound agricultural sector characterised by organic farming practices that promote efficient resource use (water and energy), integrated pest and disease control and agroforestry.

This is intended to provide lasting climate adaptation solutions to major agriculture sector challenges including low and declining productivity levels, access to water, season variations, pest and disease prevalence among others. UDB provides financing to support farmers transition to sustainable livestock management. In line with this, we reflect on how Gomba Mixed Farm was able to modernise their farm with our support.

Gomba New Generation Model Farm (GNG) is a dairy farm located in Gomba County in Gomba District, one of the districts located within the cattle corridor. The corridor which stretches from south-western to north-eastern Uganda is dominated by pastoral rangelands with semi-arid characteristics such as low and unreliable rainfall, and prolonged drought.

The increased climate extremes and variability in the corridor have contributed to a reduction in agricultural yields, water scarcity, and pests and diseases, ultimately affecting the livelihoods and food security of the rural population. Unsustainable land use practices, such as rangeland degradation, bushfires, and deforestation, further exacerbate the adverse impacts of climate change on agriculture and the environment. And yet, 96 percent of rural households depend predominantly on rain-fed crop and livestock production as their main source of sustenance and livelihood, making the agriculture sector a major priority for climate change adaptation.

The Project: The 393-acre farm began operations in 2005 with about 50 local cows grazed through a free-range grazing system. This system often resulted into inefficient management of grazed pastures that exacerbated climate impacts such as drought, poor forage utilization, low milk yield, reduced weight of animals, disease prevalence, among other challenges.

With financing support from UDB around 2019; the farm transitioned into a modern dairy farm replacing the local breeds with more productive and improved cross breeds, improved and commercialised pasture development for their own use and sale of surplus to other farmers, and installation of modern infrastructure for dairy farming which includes cow barns, calf pens, hay house, a valley dam and biogas system. The farm has since witnessed increased milk production and annual revenue growth, thus becoming a demonstration farm for improved dairy farming in the region.

The Impact: The farm currently **employs over 14 staff** and offers **casual employment to over 20 people**. With improved practices, the farm has realized improved milk production and productivity, reduced disease prevalence, increased fertility rate, increased live weight, and a mitigation potential of **24,758 tCO_2e**. The farm has also realised an annual growth in revenues of about UGX 1.89 billion, profits of about 1.05 billion, and contributed to taxes amounting to UGX 300m since changing to modern farming practices.

Promoting **green energy** in **the industry sector**

Greening the manufacturing sector – Support to Modern Laminates Limited (MLL)

The paper manufacturing sub-sector has great potential to be sustainable and ecologically sound. The paper industry uses fully renewable raw material to produce a recyclable product.

The Project: Modern laminates Ltd (MLL) is an agroforestry value addition industry found in Buikwe District. The company adds value to forest products (logs, wood, branches etc.) to produce virgin paper, a major raw material for manufacturing packaging products. The company is already manufacturing non-virgin paper to feed the packaging manufacturing industry using waste paper and recycled paper as the major raw material. The current products include multi-layer kraft paper and paper board used for making packaging boxes, cartons, paper bags, toilet paper and serviettes etc. The company relies on recycling wastepaper to meet all its raw material needs. This provides employment to waste collectors who collect and supply up to 3,000 tonnes monthly. With financing from UDB, the company secured a virgin paper plant currently fed by the out-grower forestry farmers. The company also established its own forest nucleus farms to feed the plant in the long term as 90,000 tons of tree biomass are required to run the plant at fully capacity annually.

The Impact: The company promotes sustainable forest management practices by providing the right inputs and market for forest products from sustainably managed forests. Currently, MLL works with the Uganda Timber Growers Association and the Sawlog Production Grant Scheme who manage over 100,000 hectares of forests. These are already certified by the Forest Steward Council and constitute a big number of private farmers and associations who have secured ready market for their products.

To ensure sustainability of raw material supply, over 10,000 individual farmers have already been registered as potential suppliers of forest produce. The company is also negotiating establishment of over 1,000-acre out grower bamboo forest/farm in different parts of the country to increase the forest cover. Different afforestation programs are expected to extend to climate sensitive areas thus building resilience and reducing the vulnerability to threats such as floods, landslides and drought but also provide income generating opportunities to the local communities.

Water and energy use efficiency - with water and energy requirements estimated at UGX 16 million and UGX 500 million monthly, the project uses a well-constructed commercial borehole to save almost half the water costs while the effluent treatment plant and recycling plant cleans water and removes any toxic and non-toxic materials or chemicals from it so that that it can be reused. The company through its **15MW bagasse-based cogeneration power plant** will greatly subsidise the cost of electricity consumption for the project. MLL has installed boilers and turbines to generate its own steam for both power generation and production processes through cogeneration systems.

The company directly employs **600 permanent workers and over 200 casual labourers** as waste collectors. More jobs will be created indirectly along the tree value chain. Tax contribution to the government is about **UGX772 million** and this will accumulate to about **UGX24.8 Billion in ten years**. The import replacement saves up to **USD50 Million worth of paper imports** into the country per annum. The project has an indirect mitigation potential of over **1.87MtCO_2e** from the afforestation projects annually.

The funds approved for green projects targeted interventions in:-

56%
Low carbon industries

35.3%
Climate resilient infrastructure

8.6%
Climate smart agriculture

0.3%
Eco-tourism and green manufacturing

STAKEHOLDER RELATIONS


PARTNERSHIP

Stakeholder **Engagement and Management**

At Uganda Development Bank, knowing our stakeholders' opinions and concerns helps us to set our priorities, as well as to identify opportunities and areas for improvement thus dialogue is key to gathering their vision and expectations, helping us to become a more impactful Bank. The relationship with our stakeholders is, therefore, essential to defining our corporate strategy.

We proactively engage with local, regional, and global stakeholders including government, global development organizations, the private sector, shareholders, and our employees. The outcomes of these engagements inform strategic priorities and key deliverables and are important in shaping and validating our strategy thus fulfilling our mandate to improve the quality of life of Ugandans. To deliver sustainable performance, we must balance the needs of the stakeholders over the short and long term.

In 2023, the Bank improved its listening mechanisms and conducted a Brand Health Tracker survey to establish brand awareness, tonality, brand perception and to also determine the key drivers of preference.

The objectives of the survey were to among others, generate data to enable a reliable assessment of the awareness levels of UDB; understand the perception of different stakeholder groups towards the Bank; establish the appreciation levels of UDB's mandate, products, and services; and, Identify opportunities to create additional value for society.

This survey was both quantitative and qualitative, capturing in-depth information arising from experiences and perceptions of the members of the public, government, business community, and media. 2,000 respondents were interviewed in the quantitative survey spread across the country and 20 participants were engaged in the qualitative.

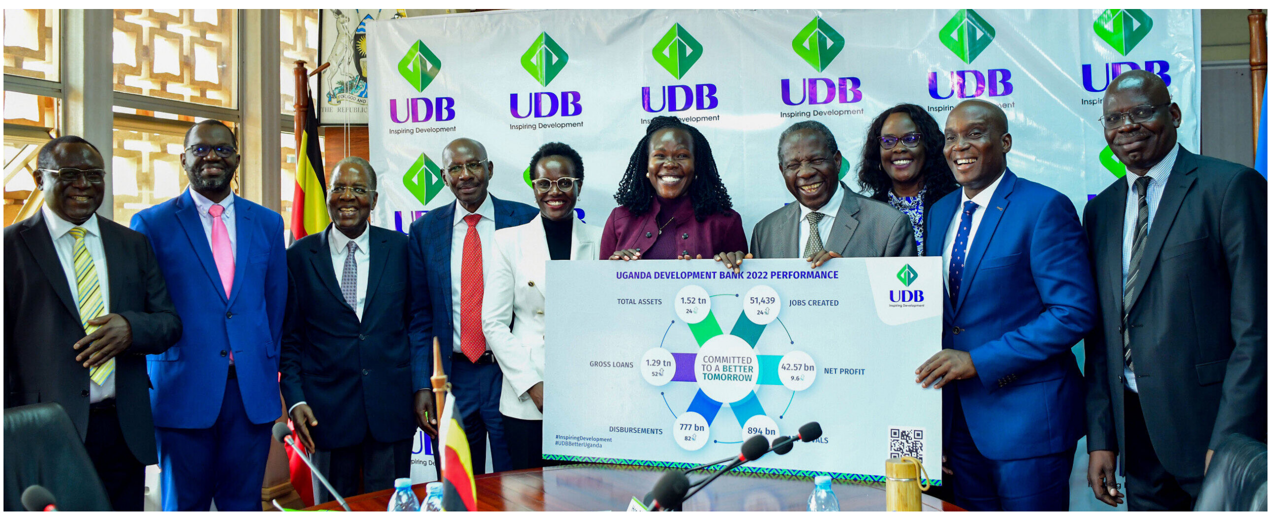
The survey results indicated that UDB is seen as a development partner and the country appreciates the Bank's mandate. Eighty Five percent (85%) of the respondents confirmed that they are ready to consume UDB products and services and overall, brand love stood at 75%, which indicates that the brand is appealing to most of the public.

UDB Approach to Sustainable Stakeholder Engagement

The Bank under the Sustainability Standards and Certification Initiative (SSCI), continued to make significant strides in stakeholder engagement and management through the deployment of the Stakeholder Alignment Management Plan for Sustainability (STAMPS). STAMPS is the Bank's approach towards building positive perceptions and managing stakeholders to strengthen the Bank's ability to meet its obligation and mandate.

Under STAMPS the Bank proactively identify and address the needs of stakeholders and manage their pain points by carrying out root-cause analysis and learning from mistakes.

The Bank is continuously working towards evolving the grievance and complaints management procedure to manage stakeholder expectations.



UDB Shareholders and Members of the Board at the 2022 Annual General Meeting.

The Bank, however, always seeks to improve engagement and develop fluid, constant communication. UDB has a holistic framework and approach to delivering stakeholder engagement and management executed through a robust stakeholder engagement plan. Through the stakeholder mapping process, the Bank identified 4 major categories of stakeholders listed below:

Stakeholder	Why they matter	How we engage
Customers	Customers are at the core of everything the Bank does, and UDB's strategy is based on their needs and expectations. The goal is to help them to achieve their ambitions sustainably.	The Bank has a robust customer engagement strategy executed through continuous satisfaction surveys, the Bank's websites, social media, a streamlined complaints management process, face-to-face interactions through relationship managers, customer forums (business clinics, investment forums, and expos), and Complaints management platforms.
Our People	Our people are our endearing advantage. They are critical to meeting our goals and fulfilling our purpose. To ensure a fair balance in our relationship with our employees, we not only adhere to applicable labor relations regulations but also go above and beyond to ensure they are engaged, motivated, and healthy. UDB, has managed to create an environment of camaraderie, transparency, and trust ultimately rendering the Bank employer of choice.	Staff are engaged through employee pulse surveys, the intranet and corporate blog, town halls, email communications, line manager performance discussions, corporate-specific and other training interventions, and interactions with industry experts.
Government	UDB is 100% owned by the Government of Uganda. Beyond capitalization, the government provides the frameworks that guide the way the Bank does business like the National Development Plans.	Management meetings, written responses in consultation processes, presentations, and feedback sessions, conferences, and participation in working groups and forums and AGM.
Partners	As providers of capital, the Bank requires strong relationships to ensure a shared expectation around our vision, strategy, and future performance.	Performance results, roadshows, conferences, management meetings, and Annual Report.

Key engagements for 2023

BUSOGA INVESTMENT FORUM: UDB held an investment forum in Jinja where the business community in the Busoga region was advised to explore sustainable investment approaches to boost the region's potential. The event attracted over 1,300 participants from the business community, leadership of Busoga Region, Busoga Kingdom, the government, and academia. The event was presided over by the Rt. Hon. Rebecca Alitwala Kadaga, 1st Deputy Prime Minister and Minister of East African Community Affairs and patroned by Minister For General Duties, Office of the Prime Minister, Hon. Justine Lumumba Kasule.

PATRIOTISM TRAINING: The staff of the Bank in 2023 participated in a transformative leadership course at the National Leadership Institute (NALI) - Kyankwanzi. The two-week leadership training inculcated a culture of leadership discipline and service beyond self. The graduation ceremony was presided over by the Vice President H.E. Maj. (RTD) Jessica Alupo.

GULU OPENING: UDB launched its inaugural regional office in Gulu City to serve Northern Uganda. The expansion enhanced the Bank's reach and accessibility whilst serving the financial and non-financial needs of the business community. The event was presided over by The State Minister for Northern Uganda, Hon. Grace Freedom Kwiyucwiny.

CSR IN YUMBE DISTRICT: The observance of Ramadan in Muslim societies allows people to reconnect, reflect and give thanks. UDB contributed to the well-being of the Muslim community in Yumbe District. The Bank, represented by Director Investments Mr Mahamoud Andama, distributed an assortment of items to over 100 families

AGRI-CONNECT
The Bank in partnership with Ensibuuko, European Union, United Nations Capital Development Fund (UNCDF), and Food and Agriculture Organization (FAO) launched a Fintech solution dubbed Agri-Connect to ease access to digital financing for smallholder farmers in Uganda. The innovation, the first digital solution that can offer both a savings and lending option for small-holder farmers in Uganda, provides a platform for Village Saving and Loans Associations (VSLAs) to digitally access short-term seasonal loans and saving products at affordable rates to grow their businesses. The event was officiated by the State Minister of Finance for Privation and Investment Hon. Evelyn Anite.

BEGINNING OF YEAR PRESS CONFERENCE: The Bank held the 2023 yearly press briefing where they announced excellent results for 2022 reflecting strong investment in various businesses across the country, improved livelihoods, and heavy support towards economic recovery and resilience of Uganda. The event was held at Bwendero Dairy Farm and officiated by Hon. Jennifer Namuyangu, the State Minister for Bunyoro Affairs.

CLIMATE FINANCE FACILITY: The Bank launched the Climate Finance Facility (CFF), a strategic Fund that will make available affordable finance that aims to promote climate-smart agriculture and ensure climate-resilient infrastructure and low-carbon industries. The Bank committed UGX50 billion towards capitalization of this facility and it's expected to grow with support from various partners over time. CFF seeks to increase the Bank's interventions targeted toward green sectors in Uganda for a more sustainable impact. The event was officiated by the Permanent Secretary and Secretary to Treasury Mr Ramathan Ggoobi.

COP 28: UDB participated in the 2023 Conference of the Parties (COP28) held in Dubai to create and strengthen strategic partnerships for the Bank's Climate Finance Facility - a special-purpose vehicle with a unique and specific focus on financial and non-financial climate solutions. The Bank benchmarked best practices to unlock and catalyze private sector investment in Uganda's green sectors to meet the mitigation and adaptation needs. The UDB Managing Director, Patricia Ojangole led the delegation.

UDB PARTNERSHIP WITH IDC: UDB in 2023 entered a partnership with the Industrial Development Corporation of South Africa (IDC) spelt out in a Memorandum of Understanding (MOU) that was signed on the sidelines of the South Africa-Uganda Business Forum held in South Africa. The partnership underscores the commitment of both institutions to collaborate in advancing their countries' socio-economic development. Under the partnership, UDB and IDC are cooperating in various areas of mutual interest including investment and capacity building. The MOU was signed by the UDB MD Patricia Ojangole and the IDC CEO Tshokolo Petrus Nchocho.

WAKISO INVESTMENT FORUM: UDB in partnership with Wakiso District local government held a one-day conference in Entebbe under the theme 'Harnessing Investment Opportunities in Wakiso'. The event aimed at unlocking the immense investment potential of Wakiso District through sustainable projects ultimately spurring economic growth. The event was officiated by the Minister for Justice and Constitutional Affairs Hon. Norbert Mao.

CELEBRATING PARTNERSHIPS: The Vision Group in 2023 recognised the Bank for its continued and unwavering commitement to the ongoing partnership between the two institutions . The award was handed over by the CEO Vision Group, Mr. Don Wanyama.

UDB IN PARTNERSHIP WITH THE SECRETARIAT OF SCIENCE TECHNOLOGY & INNOVATION: UDB entered an MoU aimed at supporting the incubation, commercialization, and growth of new and infant industries. The secretariat is mandated with the mobilization, coordination and provision of strategic oversight and policy guidance to scientists among other stakeholders along the prioritized industrial value chains to increase productivity, import substitution and export of knowledge-based products and services.

STRATEGIC **PARTNERSHIPS**

PARTNERSHIP WITH EUROPEAN UNION

The Tourism Facility

Uganda Development Bank (UDB) 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 to revive through the hardship of COVID19. The facility seeks to stimulate businesses operating in the tourism sector, which has been heavily impacted by COVID-19 by providing a grant and soft loan with flexible terms aligned to the current needs of the sector. A total approximate pool of UGX 62 Billion (UGX 40 Billion UDB loan plus UGX 22 Billion EU Grant) was set aside for this facility.

The Support to Agricultural Revitalization & Transformation (START) is a blended finance facility providing a customized mix of business development services, project development and finance structuring services, and financial products in the form of concessional and zero-interest loans, technical assistance grants and partial credit guarantees.
START is implemented by the United Nations Capital Development Fund (UNCDF) in partnership with Private Sector Foundation Uganda (PSFU) and Uganda Development Bank Ltd (UDB) under the Development Initiative for Northern Uganda (DINU), a Government of Uganda programme supported by the European Union and coordinated by Office of the Prime Minister.

Partnership with European Organisation for Sustainable Development

European Organization for Sustainable Development (EOSD) is global partner that is dedicated towards developing and executing innovative programs that are contributing towards sustainable development of the economies of partner governments and institutions especially financial institutions. The work of EOSD is focused on supporting the transition to a new economy – an economy which is powered by technology, driven by innovation and is green, inclusive and sustainable. The bank has partnered with EOSD in developing and executing the Sustainability Standards and Certification Initiatives (SSCI) and Financing 4.0.

To this end, the Bank has participated in the SSCI program and has revolutionized the way it is implementing the country's national development priorities. Through SSCI, the Bank developed its purpose statement and high impact goals that have renewed its focus in delivering its mandate for socio-economic development of Uganda. The Bank achieved the highest level of certification, Level 5, under the SSCI program and was one of the first development financial institutions (DFI's) in the world to get certified.

EU IS A FUNDING PARTNER OF FAO AGRI-INVEST

What is AgrInvest?

AgrInvest, a blended finance initiative of the Food and Agriculture Organization of the United Nations (FAO), uses public funding to attract sustainable private investments in the agrifood sector. More productive, resilient and inclusive agrifood systems will help reduce poverty, hunger and malnutrition, create decent jobs, especially for women and young people, and ensure greater environmental sustainability.

AgrInvest focuses on key value chains in a country to help de-risk lending and improve the agricultural investment environment by using the latest assessment and financial analysis tools, digital solutions and policy dialogue.

Partnering with Uganda Development Bank

AgrInvest's main public sector investment partner is the UDB. The Bank is financed by the Government of Uganda and other development partners. The UDB supports projects that are expected to have significant socio-economic benefits for Uganda. The UDB seeks to become a leading business partner for agriculture and food-related businesses, helping borrowers grow their businesses and take advantage of low-cost digital technologies.

Key elements of AgrInvest to Uganda Development Bank for Uganda:

Increased Investing: The project supports the Bank to increase its investment portfolio in the food and agriculture sectors. The Bank has strengthened its capacities to assess business proposals and their risks –making sure proposals are economically viable and environmentally and socially responsible – and, in turn, to advise clients on astute financing and business growth. This serves to improve the quality of the pipeline of new proposals over the long term.

Green Finance: FAO-developed tools like the Ex-Ante Carbon Balance Tool (EX-ACT) and the Global Livestock Environmental Assessment Model interactive (Gleam-i) were introduced to help the Bank assess the greenhouse gas emissions and carbon balance of loan applications in food and agriculture.

Digital Solutions: To enhance the Bank's lending, the project has teamed up with the UN Capital Development Fund (UNCDF) to increase the Bank's capacity to use digital technologies – from profiling clients and assessing risks based on geodata, to delivering loans via digital payment systems. This will allow the UDB, a branchless national development bank, to significantly increase its outreach to small-scale farmers in underserved rural areas

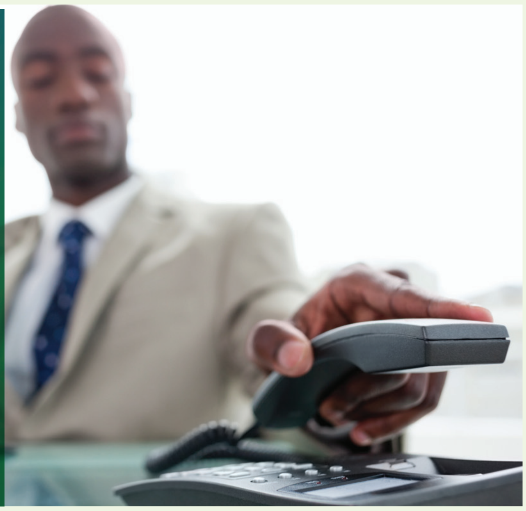
The Bank has partnered with fintech company Ensibuko to offer digital solutions to farmers, farmer cooperatives and village and savings loan associations. UDB together with the fintech has been able to develop a lending matrix where farmers have been pre-scored to access loans for productions seasonally. The farmer/ farmer cooperative is able to apply for these loans digitally and disbursements made directly to the farmer/ farmer cooperative e-wallets.

Other partnerships: Uganda Revenue Authority, Uganda Registration Services Bureau, Economic Policy and Research Center, Ministry of Science, Technology and Innovation, .Uganda National Bureau of Standards and Electricity Regulatory Authority

CREATING VALUE FOR **THE CUSTOMER**

OUR CUSTOMER EXPERIENCE VISION

“To be proactive, consistent, and responsive in our service”



At UDB, we are invested in the quality of service and customer satisfaction. We are heavily rooted in continuous research to ascertain customer needs, improve segmentation, and simplify processes cognizant of customer demands and their diverse profiles. Ramping up our multichannel engagement with new digital applications and innovative products/services has improved our customer experience significantly. We are transforming our business model to be more accessible through digitalization without sacrificing our signature interpersonal approach.

In 2023, the Bank commenced implementation of its Customer Service and Experience Management Strategy (CSEMS). The strategy approaches customer service and experience management as an integrated function intended to empower, enable, and track UDB's ambition to deliver a consistently positive customer experience.

The Bank encapsulated its aspirations and commitments to its customers in its customer experience vision. Under Phase One of its CSEMS, the Bank embarked on a few initiatives including:

- Transforming of physical contact points to a more user friendly design to improve customer experience.
- Leveraging technology to streamline processes and improve customer experience by deploying a Digital Register and Queuing system as well as a Feedback system.
- Deploying feedback mechanism including a customer satisfaction survey aimed at determining the level of customer satisfaction and gaining insights relevant for enhancing customer experience at the Bank. The survey results showed that the weighted index of the Customer Satisfaction Score (CSS) was 75% while the Customer Effort Score (CES) was 76%, reflective of relative ease or undemanding experience for the customers. However, there is scope for improvement, especially through plugging identified gaps.

The Bank ensures high ethical standards in customer relations across the value system while trust is underscored at every step of the customer journey to gain their affinity. This process is guided by a customer charter which sets out the roles and responsibilities of each party – customer and UDB staff.

Looking forward, the Bank will focus on:

- Leveraging existing and new technologies for excellent service management and delivery;
- Optimizing data management to inform decision-making and improve customer experience and satisfaction;
- Enhancing staff competencies through capacity-building activities and rewards and recognitions and
- Expanding customer touch points.

The Bank continues to use approach towards sustained improvement in delivering service to customers, in line with customer experience vision **“To be proactive, consistent, and responsive in our service”**

UDB LOAN Application process

A

Express interest

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

B

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

1

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.

2

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.

3

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.

4

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.

5

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.

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.

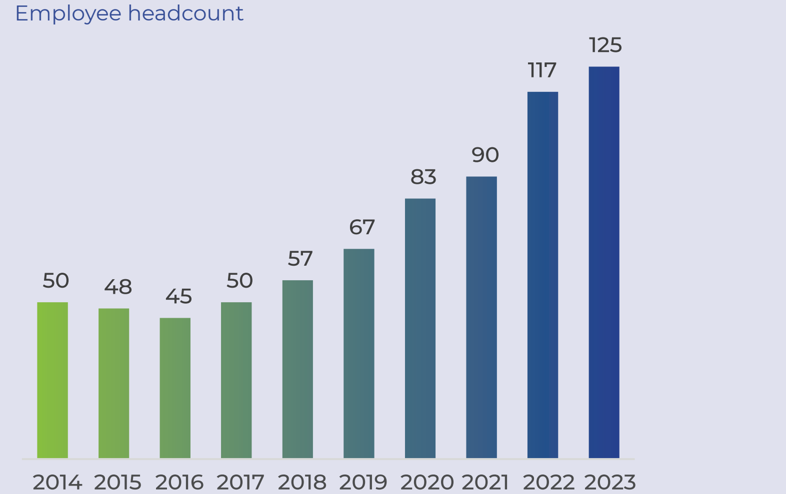
FOCUSING ON OUR PEOPLE

The bank has retained highly productive talent, contributing to its sustained growth and success. This high retention rate highlights the effectiveness of the bank's talent management approaches

Over the years, UDB has evolved into an employer of choice. Our ethos is built on a set of fundamentals including engagement, communication, respect, and recognition. The team at UDB is comprised of a highly dynamic group of professionals sourced from diverse backgrounds. This pool of highly talented individuals continues to drive growth and success for themselves, their teams, and the Bank. UDB is a Bank of owners that champion innovation, and agile work approaches to deliver the Bank's mandate.

Employee Demographics and the Trends

In 2023, the number of staff grew by 7% closing the year at 125 with a gender composition of 14:11 - male to female. As an equal opportunities' employer, the Bank continues to champion gender equality.

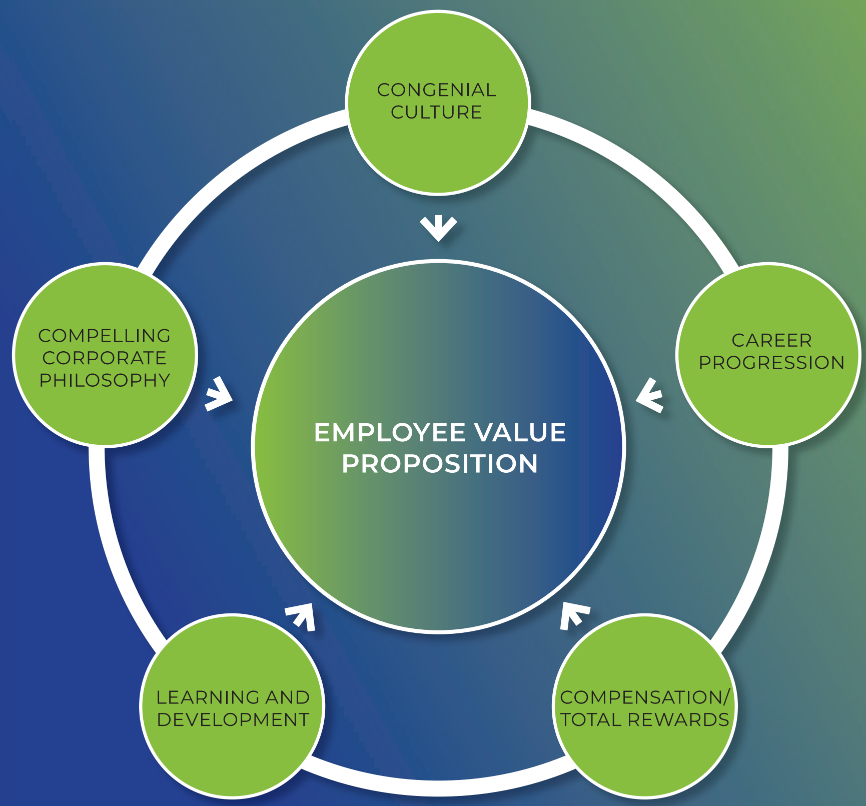


> "At UDB, we prioritize creating an environment where everyone can thrive and contribute to achieving our organizational goals

Keeping our people engaged

To attract, nurture and retain the best talent, UDB has a compelling value proposition premised on:

- Compelling corporate philosophy as the country's national DFI.
- Congenial culture grounded on respect for all.
- Facilitating career growth.
- A competitive compensation (total rewards) structure.
- Providing opportunities for learning and development



Talent Retention Rate

Leveraging its diverse employee value proposition, the Bank continues to register high staff retention rates closing at **99%** during the year 2023.

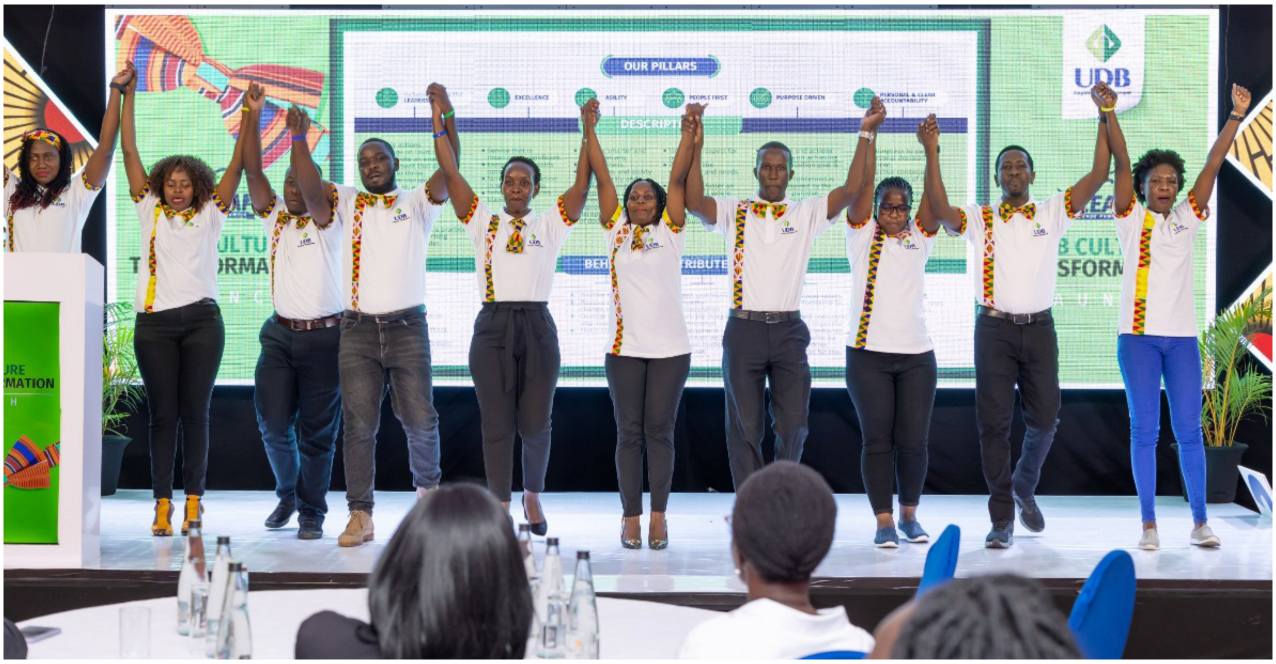
Employee engagement – Beyond the keyboard

At UDB, we prioritize creating an environment where everyone can thrive and contribute to achieving our organizational goals. The Bank runs a comprehensive Employee Engagement Program, which encompasses activities centered on physical wellness, financial wellness, mental health, social wellness, and self-care. These activities occur regularly, with weekly, monthly and quarterly engagements, and bi-annual departmental team activities.

Under the banner of Physical Wellness, the Bank offers a diverse array of activities meticulously designed to enhance the physical well-being of all our valued staff including gym subscriptions and monthly group jogging activities to promote team cohesion and wellness. These activities offer unique opportunities for teamwork, building camaraderie among the teams.

Nurturing a culture of owners - LEAP³

Our culture is the bedrock of our success. Our values (Integrity, Commitment, Excellence) guide us every day. To complement our values and to firm up the UDB culture, in 2023, we launched our new corporate culture transformation journey and we have progressed in its implementation. The new culture transformation



A team of UDB culture champions showing off their allegiance to support the Culture launch function on 15th Sep 2024 at Serena Hotel- movement at the alunce

journey birthed a new culture statement (*To be a people-first, purpose-driven, and agile team striving for excellence)* and spelled out a set of pillars; Inclusive and Impactful Leadership, Excellence, Agility, People First, Purpose-driven and Personal and Clear Accountability summarized in the LEAP3 acronym. The new culture is fostering a shared purpose among staff to advance togetherness, symbolized by the slogan, **"Twende Pamoja."**

- We aligned our processes with our culture and adapted staff as champions to ensure that employees are cultural ambassadors.
- We continued to promote our culture through our performance review system.

These pillars continue to reshape the Bank's culture, driving change and innovation. We continue to reinforce the importance of displaying our behaviors daily through various communications and activities.

GAP – Upskilling tomorrow's generation

Testimonial of a graduate apprentice

Fazil Bantubalamu – I was enrolled as an HR graduate apprentice at Uganda Development Bank in 2023. It has been an enriching journey thus far with a holistic approach to learning which blends theoretic knowledge and hands-on application, fostering a robust understanding of HR management within the dynamic financial landscape. My mentors have offered invaluable insights, feedback, and guidance, enabling me to navigate intricate scenarios and evolve both personally and professionally.

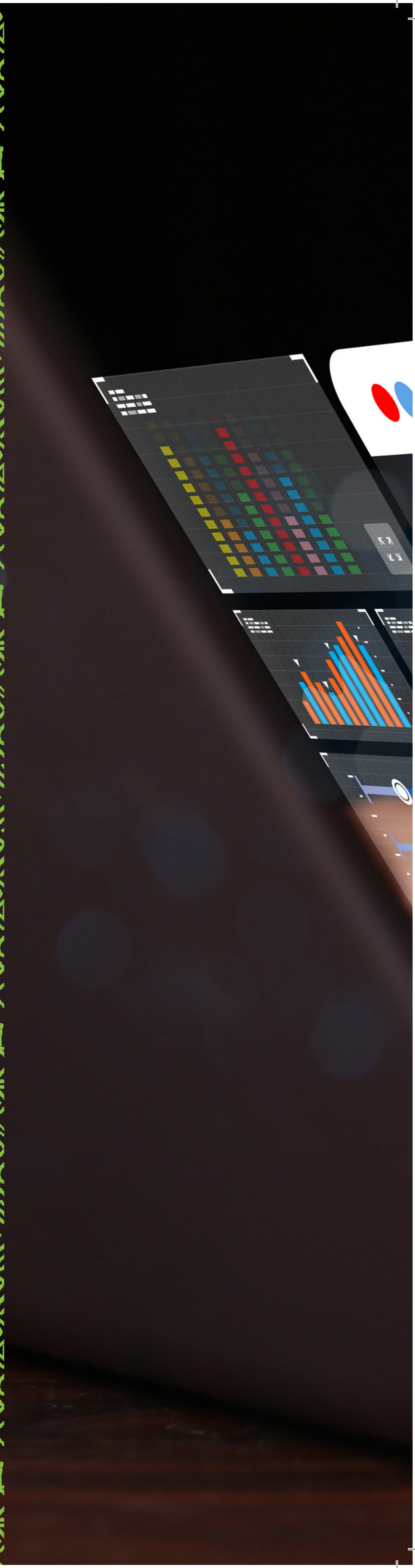
A team of six (GAP) finalists- after a meeting with UDB Board members

Pictures of staff attending the different engagement activities

1. The program has offered a broad range of HR functions, spanning talent acquisition, performance management, employee relations, and organizational development, aligning closely with my career aspirations. This diverse exposure has facilitated a comprehensive grasp of HR operations within the banking sector, enhancing my professional knowledge and
2. Navigating through complex regulatory frameworks while working at UDB has been intellectually stimulating. Understanding compliance requirements and their impact on HR policies and practices has provided insight into the crucial role of legal compliance in HR decision-making. This experience has heightened my appreciation for the intricacies of maintaining regulatory adherence within the HR domain.
3. The program has enabled me to engage in strategic HR projects, collaborating with senior professionals on talent retention, culture, and diversity initiatives, enhancing my strategic thinking and problem-solving abilities.
4. I have also contributed to the designing and implementation of diverse programs.

My HR apprenticeship at UDB has been transformative, providing me with the knowledge, skills, and practical experience essential for success in the dynamic HR landscape. I am now equipped to excel in HR roles across diverse environments.

FINANCIAL SUSTAINABILITY




DATA
What does online marketing (Digital Marketing) do?
job of online marketer that use digital channels to communicate with customers
The following five interactions with customers must be taken into account.
1.Connections: Changing the way you communicate from the front of the store.
To use digital channels such as live video to use internet channels to build connections
with customers.
2.Interaction (Conversations) create interactions with consumers in the target group
who use products and services. By relying on large-scale research tools (Focus Group)
to learn consumer behavior.
3.Co-creation (Co-Creation) Sharing marketing concept information
from various channels such as educational institutions, agencies, academics,
entrepreneurs to improve online marketing techniques to be up to date. meets
the highest demands of consumers
4.Do E-Commerces, create a shopping cart system. or ordering on the website
Or place products on websites that support online trading through that channel,
such as Amazon, Ebay.
89%
50
25
25
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT

FINANCIAL **SUSTAINABILITY**

For the Bank to meaningfully contribute to the improvement of the quality of lives of Ugandans, it must ensure that its operations are financially sustainable

As a Bank operating within the Ugandan economy and whose mandate is pivotal in promoting socio-economic development in this country, we must ensure that we operate sustainably. This will, therefore, allow us to pay dividends to our shareholders, salaries to our employees, tax to the Ugandan government as well as support local businesses through the procurement of goods and services.

Below is the Bank's value-added statement which indicates the wealth that UDB creates through its activities for our key stakeholders, being the shareholder, employees, development partners and suppliers. It also illustrates how much we re-invest for future growth. The value-added is calculated as the Bank's revenue performance minus payments such as cost of services, depreciation and amortization. The resulting amount is distributed to the stakeholders who include employees, shareholders, community investments and government.

For a detailed discussion on the Bank's financial performance, please refer to the financial review on page 72 of this annual report.

> "The Bank achieved a notable profit for the year of UGX49.8 Billion, marking a significant growth of 17% from the UGX42.57 Billion realized in 2022

The total wealth created by the Bank in 2023 was UGX 144.7 Billion as shown in the value-added statement below.

	2023 Bn UGX	2022 Bn UGX	%
Interest income	156,224,954	123,402,738	
Interest expense	-13,479,273	-5,946,313	-
Wealth created from operations	**142,745,681**	**117,456,425**	
Foreign exchange gains	1,161,871	6,809,441	
Other income	839,702	4,901,413	-
Total wealth created	**144,747,254**	**129,167,279**	**100**
Distribution of wealth			
Retained for growth	49,804,282	42,565,130	34
Employees	27,711,095	23,163,999	19
Government	22,211,432	22,601,177	15
Suppliers	15,305,877	14,417,309	11
Impairment loss on financial assets	28,502,537	25,087,475	20
Depreciation and amortization	1,212,031	1,332,189	1
Total wealth distributed	**144,747,254**	129,167,279	100

“

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

Financial Performance Overview

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

Financial Statistics (UGX'million)	2023 Bn Ugx	2022 Bn Ugx	2021 Bn Ugx	2020 Bn Ugx	2019 Bn Ugx
Statement of Comprehensive Income					
Gross Interest on loans	156,225	123,403	112,915	72,062	42,022
Net Interest and Fee Income	142,746	117,456	109,256	67,900	38,917
Net impairment loss on financial assets	(28,503)	(25,087)	-23,606	-14,688	-1,404
Non-Interest Income (net)	2,002	11,711	-1,367	1,583	-1,432
Operating expenses	(44,229)	(38,913)	-26,730	-23,131	-20,696
Profit before income tax	72,016	65,166	57,553	31,664	15,385
Profit for the year	49,804	42,565	39,772	22,109	10,140
Statement of Financial Position					
Loans and advances (Net)	1,470,100	1,220,891	781,658	511,882	334,415
Balances with other banks	86,457	220,401	375,375	518,736	103,147
Investment properties	-	31,171	32,089	34,151	31,473
Total assets	1,666,731	1,520,119	1,222,101	1,089,804	486,365
Capital and reserves	1,375,870	1,228,752	1,055,075	910,785	347,483
Total liabilities	290,861	291,366	167,026	179,019	138,882
Statement of cash flow					
Cash flow used in operating activities	(217,933)	(378,751)	-230,308	-120,641	-43,970
Net cash (used in)/generated from investing activities	(21,531)	(3,193)	54,333	-372,620	-68,803
Net cash generated from financing activities	105,601	226,620	88,129	539,695	103,841
Key financial ratios					
Yield on interest bearing instruments	10.76%	10.00%	11.23%	10.38%	11.60%
Net interest income margin	91.37%	95.18%	96.76%	94.22%	92.61%
Cost income ratio (without impairment)	30.6%	30.1%	24.8%	33.3%	55.2%
Cost income ratio (with impairment)	50.2%	49.5%	46.7%	54.4%	58.8%
Return on assets	3.13%	3.10%	3.44%	2.81%	2.60%
Return on equity	3.82%	3.73%	4.93%	3.51%	3.70%
Loan impairment ratio	6.78%	5.60%	6.60%	6.23%	10.60%
Debt equity ratio	17%	19%	12%	16%	34%

The Bank achieved a notable profit for the year of UGX 49.8 Billion, marking a significant growth of 17% from the UGX 42.57 Billion realized in 2022. This growth is driven by an infusion of UGX 97.3 Billion from the Government of Uganda, including contributions from the Kuwait fund coupled with an increase in investment in interest-earning assets, notably, loan disbursements to development projects.

To ensure long-term financial sustainability, the Bank has intensified its efforts in digitalizing operations. This initiative aims to boost efficiency, elevate operational standards, expedite the execution of the capitalization strategy, and explore novel avenues for financing. These funds will be directed towards investing in SMEs, youth and women programs, as well as large-scale projects with significant potential for fostering developmental impact on the economy. This strategic pivot not only streamlines internal processes but also fortifies our financial base, positioning us for enduring growth and resilience amid evolving market conditions.

Ensuring Financial Sustainability

A review of the Bank's financial performance for the financial year 2023 compared to 2022 is as follows:

Interest and fee Income

The Bank generates revenue primarily through interest and fees from loans and short-term investments. In 2023, gross interest and fee income surged by UGX32.8 Billion (a 27% increase) to UGX156.2 Billion, up from UGX123.4 Billion in 2022. This growth was propelled by a 22% expansion in gross loans and advances. However, there was a decline in income from short-term investments due to diminished yields and decreased liquidity levels, stemming from delays and effectiveness issues related to lines of credit. Interest expense and similar charges surged by 127% year-on-year (YOY). This was mainly attributed to drawdown of new lines of credit from various funders and a significant uptick in the reference rate from average levels of 2.87% for the year 2022 to 5.47% for the year 2023 (including 0.42% risk adjustments following the transition from LIBOR to SOFR).

Figure 10: Total Interest income (shs Billion)

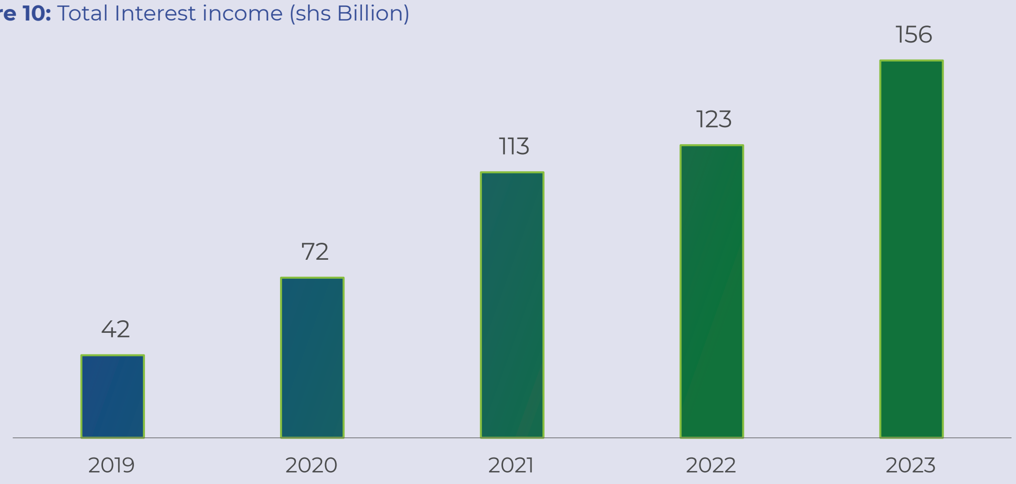


Figure 11: Interest and Similar Income (UGX Billion)

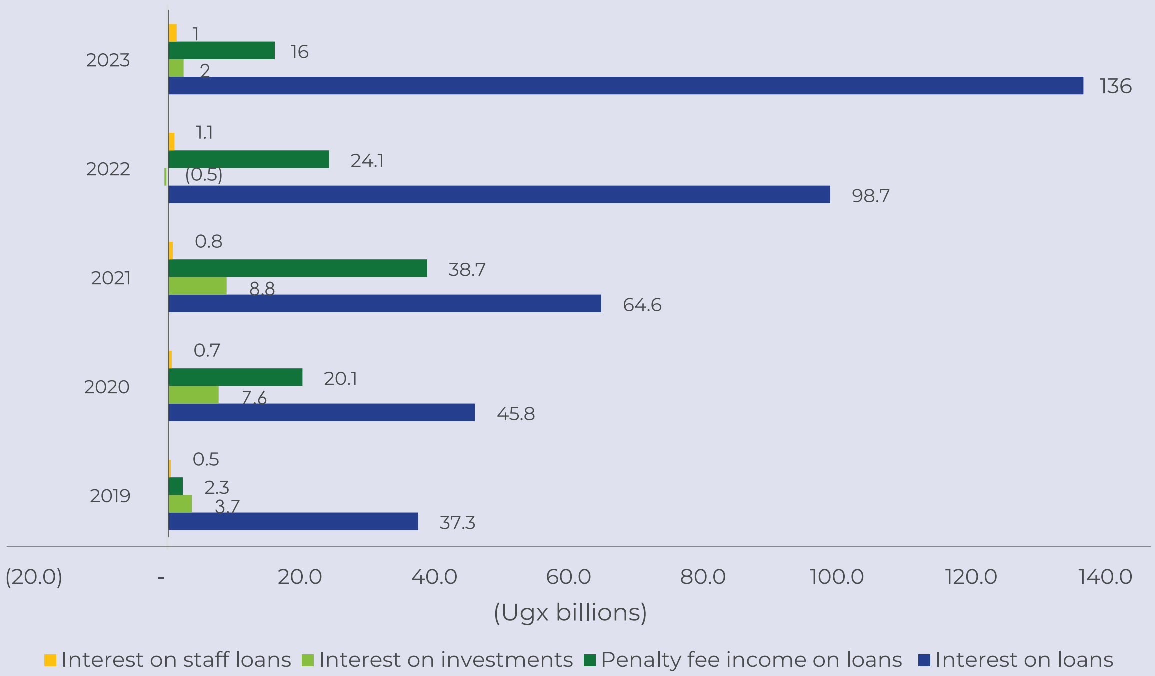
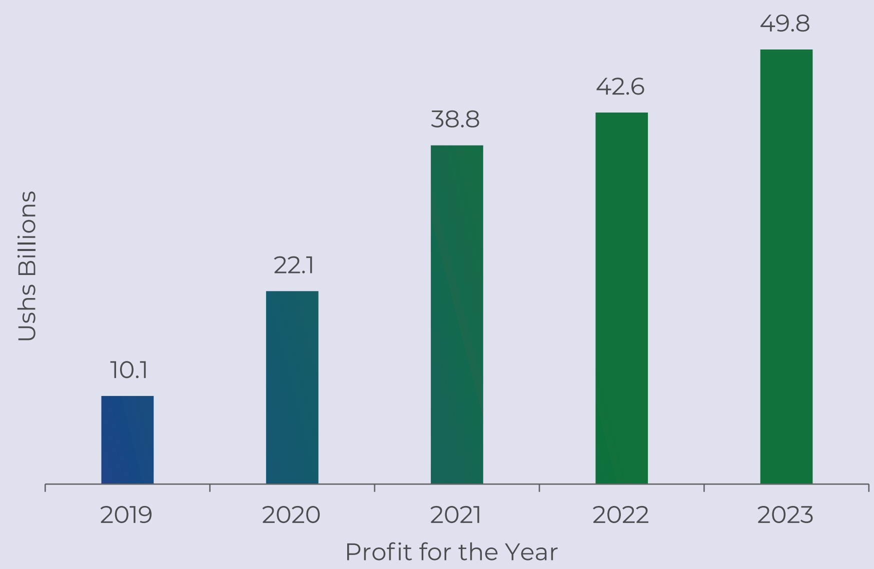


Figure 12: Profit after tax



Other Income

Other income was significantly reduced, plummeting by 83% to UGX839 million from UGX4.09 Billion in 2022. The decline is attributed to the delayed realization of proceeds from previously written-off loans.

Net impairment loss and write off of loans and advances

Following the enhanced ECL modelling, the Bank enhanced its loan loss coverage positions marking a notable 14% increase in the annual charge as compared to 2022 in line with the 20% growth in the Credit book. This proactive approach presents a positive outlook with regard to enhanced coverage for future loan losses.

Operating expenses

Operating expenses increased by 14% to UGX44.2 Billion in 2023 from UGX38.9 Billion in 2022 majorly due to heightened staff costs arising from an increased headcount necessary for the Bank to effectively manage growing business expectations, Increased business technology costs, BASE activities costs relating to various strategic initiatives, increased business promotions, elevated local and executive travel costs associated with business sourcing, underwriting, supervision and funding initiatives. Despite the increase in expenses, the cost-to-income ratio with impairment remained stable, reflecting the impact of increased operational costs on income.

Strengthening the Financial Position of the Bank

The Bank's total assets increased by 10% to UGX 1.6 trillion as a result of an increase in the Government of Uganda capital contribution and a drawdown of approved lines of credit. Below is a brief review of the Bank's major assets and liabilities and how they impacted the performance above: -

Borrowings from development partners

Borrowings comprise lines of credit sourced from other Development Financial Institutions (DFIs) for the sole purpose of supporting the development mandate of the Bank. The Bank also generated a healthy funding pipeline of about US$ 466 million from various multilateral development partners to sustainably finance various sectors in 2023 in line with the Bank's mandate.

Government of Uganda capital contribution

The Government of Uganda continued to capitalise the Bank throughout 2023 with additional capital of UGX 97.3 Billion compared to UGX 118.6 Billion in 2022. This capital injection was inclusive of receipts from the Kuwait fund worth UGX 33.1 Billion to support SMEs.

Retained earnings

The Bank's retained earnings increased by 27.5% due to profits of UGX49.8 Billion registered during the year.

Gross Loans and Advances

Gross loan and advances increased by UGX285 Billion (22%) during the year compared to a growth of UGX458 Billion (54%) in 2022. UGX 610 Billion was disbursed to projects in 2023 compared to UGX777 Billion in 2022 with the biggest sector being industry at 50.2% of the portfolio. 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.

Figure 13: Loan portfolio growth

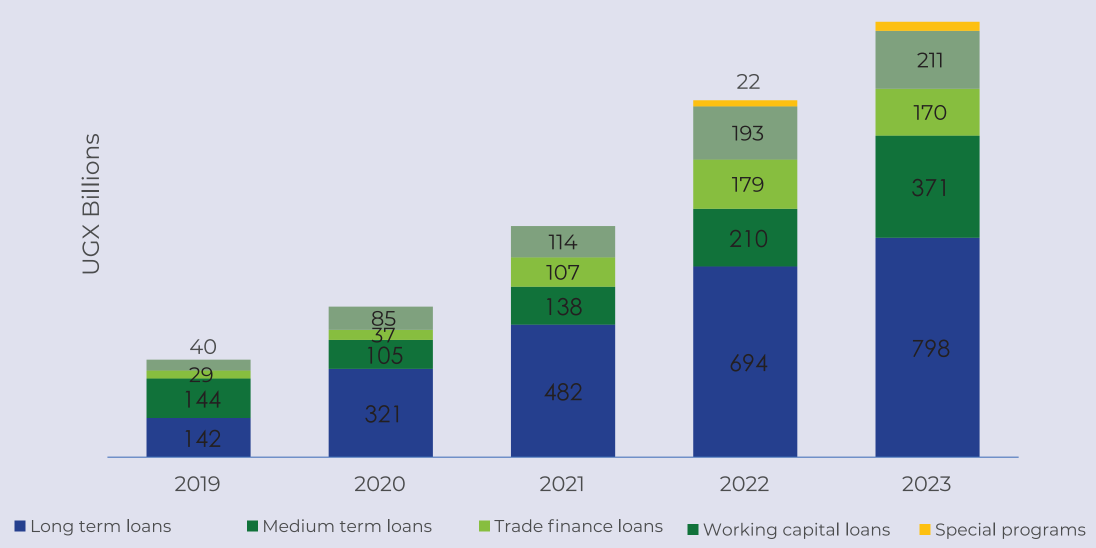


Figure 14: Gross loans vs loan impairment

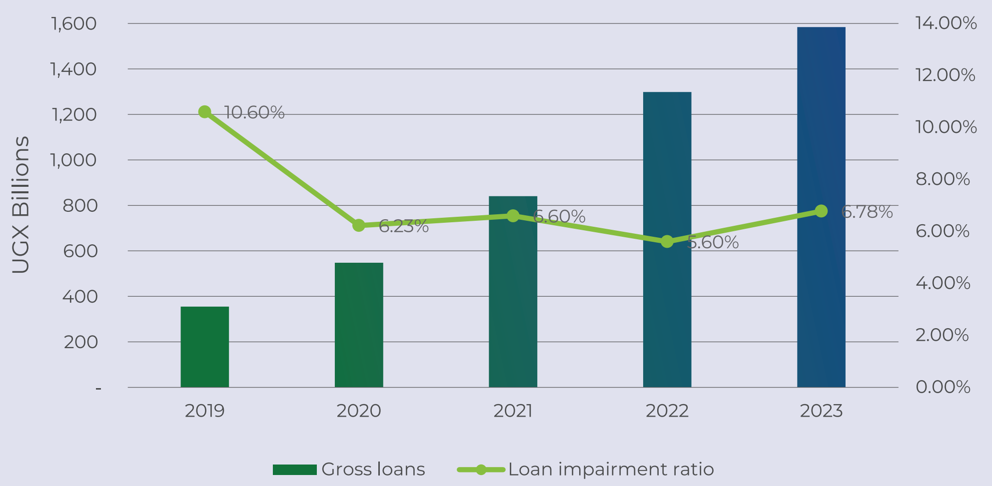


Figure 15: Interest and net interest income vs cost-to-income ratio

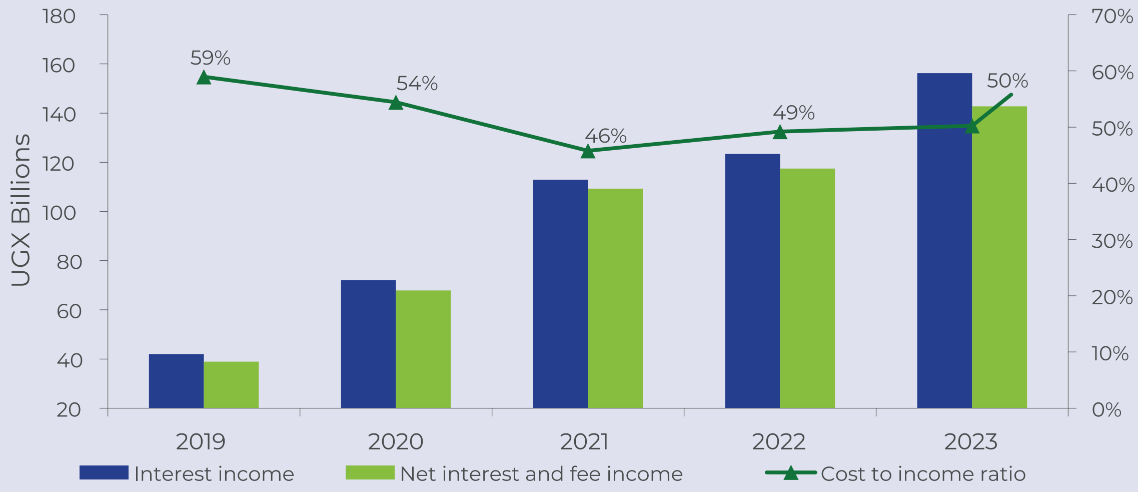
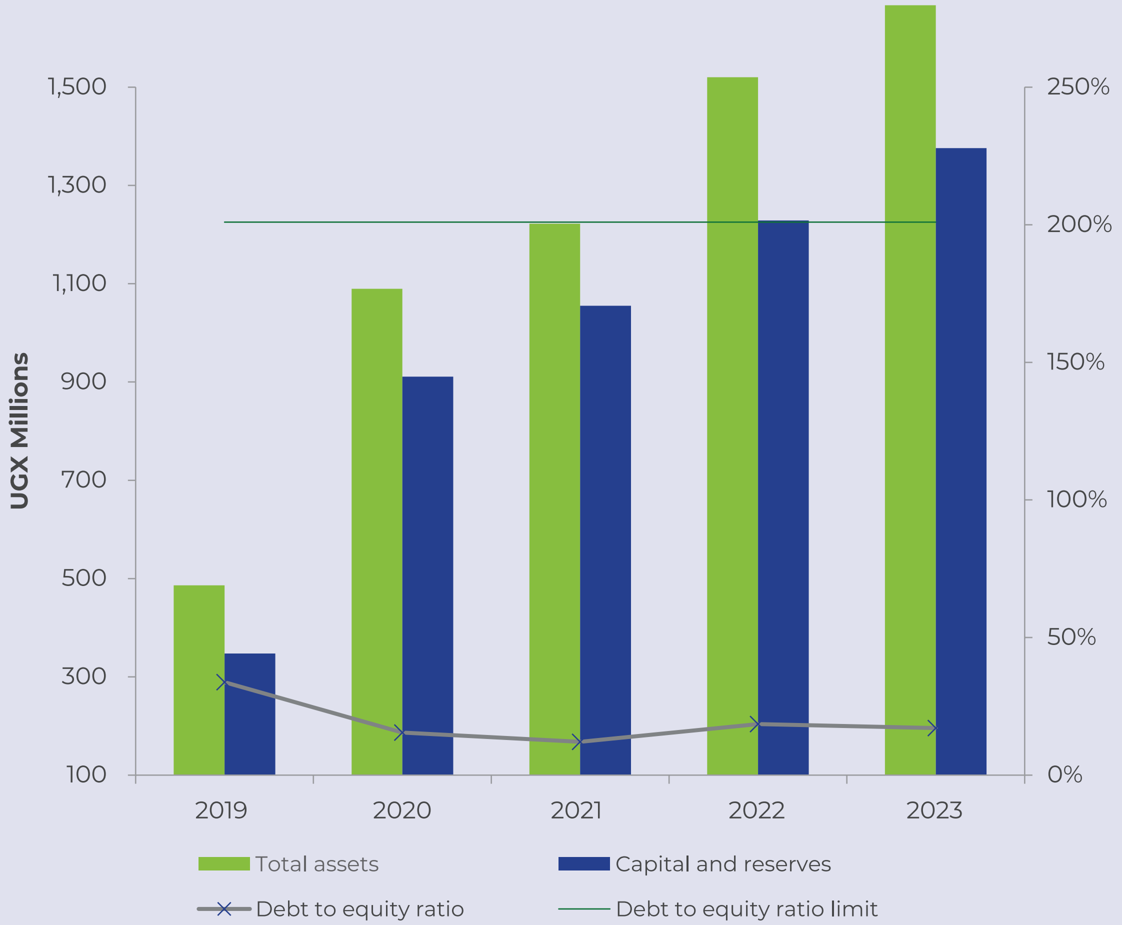


Figure 16: Balance sheet growth vs debt/equity ratio



UGANDA DEVELOPMENT BANK LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

CONTENTS	**PAGE**

CORPORATE INFORMATION

DIRECTORS

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

Name	Designation
Mr. Felix Okoboi	Chairperson
Mrs. Patricia Ojangole	Managing Director
Mr. Francis Tumuheirwe	Director
Mrs. Rita Akot Apell	Director effective 16 February 2023
Mr. Busuulwa Joseph Kayongo	Director effective 16 February 2023
Dr. Albert Richards Otete	Director effective 22 May 2023
Mr. Bob Bonabo Munene	Director effective 15 August 2023
Mr. John Ira Kirungi Byaruhanga	Directorship lapsed on 15 August 2023
Mr. Henry Balwanyi Magino	Directorship lapsed on 22 May 2023

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

1st Floor, Wing B3
Rwenzori Towers
6 Nakasero Road
P. O. Box 7210
Kampala, Uganda

COMPANY SECRETARY

Mrs. Sophie K. Nakandi
Uganda Development Bank Limited
1st Floor, Wing B3
Rwenzori Towers
6 Nakasero Road
P. O. Box 7210
Kampala, Uganda

BANKERS

DFCU Bank Limited
26 Kyadondo Road, Nakasero
P. O. Box 70
Kampala, Uganda

Citibank Uganda Limited
4 Ternan Avenue, Nakasero
P. O. Box 7505
Kampala, Uganda

Standard Chartered Bank Uganda Limited
5 Speke Road
P. O. Box 7111
Kampala, Uganda

NCBA Bank Uganda Limited
1st Floor, Rwenzori Towers, Nakasero
P. O. Box 28707
Kampala, Uganda

CORPORATE INFORMATION (CONTINUED)

BANKERS

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

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

AUDITOR

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

DELEGATED AUDITOR

Deloitte & Touche
Certified Public Accountant of Uganda
3rd Floor, Rwenzori House
1 Lumumba Avenue
P. O. Box 10314
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

H & G Advocates
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Kampala, Uganda

Ligomarc Advocates
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P. O. Box 8230
Kampala, Uganda

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

CITADEL Advocates
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Kampala, Uganda

LEGAL ADVISORS (CONTINUED)

OSH Advocates
2nd Floor, West wing, Commercial Plaza
P.O. Box 36109
Kampala, Uganda

ENSafrica Advocates
1st Floor, Rwenzori Towers
6 Nakasero Road, Nakasero
P.O BOX 11335
Kampala, Uganda

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Uganda Development Bank Limited ("the Bank") for the year ended 31 December 2023, which disclose the state of affairs of the Bank.

1. INCORPORATION

The Bank was incorporated under the Companies Act, 2012 Laws 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.

3. RESULTS

The results for the year which are set out on page 14 are summarised below:

	2023	2022
	Ushs '000	Ushs '000
Profit before tax	72,015,714	65,166,307
Income tax expense	(22,211,432)	(22,601,177)
Profit for the year	**49,804,282**	**42,565,130**

4. RESERVES

The reserves of the Bank are set out on page 16.

5. DIVIDENDS

The directors do not recommend the payment of a dividend in respect for the year ended 31 December 2023 (2022: 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.

REPORT OF THE DIRECTORS (CONTINUED)

7. RISK (CONTINUED)

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.

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 of the Constitution of the Republic of Uganda, Section 17 of the Public Enterprises Reform and Divestiture Act, Cap.98 and Sections 13 (1) (a), 17 and 23 of the National Audit Act, 2008, the financial statements of the Bank are required to be audited once every year by the Auditor General. Section 23 of National Audit Act, 2008 permits the Auditor General to appoint private auditors to carry out such audits on his/her behalf.

Accordingly, M/S Deloitte & Touche Certified Public Accountant of Uganda were appointed on 31 October 2023 to carry out the audit on behalf of the Auditor General for the year ended 31 December 2023.

REPORT OF THE DIRECTORS (CONTINUED)

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 13th June 2024.

By order of the Board

………………………………………

Mrs. Sophie K. Nakandi
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Bank's directors are responsible for the preparation and fair presentation of the financial statements of Uganda Development Bank Limited set out on pages 14 to 95, comprising the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of material accounting policy information and other explanatory notes, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and requirements of the Companies Act of Uganda, 2012.

The directors are also responsible for ensuring adequate internal controls since these are necessary in the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern for the next twelve months from the date of this statement.

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board and requirements of the Companies Act of Uganda, 2012.

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 13 June 2024.

FELIX OKOBOI
Chairperson

13 June 2024

Dr. ALBERT RICHARDS OTETE
Director

13 June 2024

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF UGANDA DEVELOPMENT BANK LIMITED FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2023

THE RT. HON. SPEAKER OF PARLIAMENT

Introduction

In accordance with Section 23 of the National Audit Act (NAA) 2008, I appointed M/S Deloitte 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 Constitution of the Republic of Uganda 1995 (as amended).

Opinion

I have audited the accompanying financial statements of Uganda Development Bank Limited ("the Bank") set out on pages 14 to 95, which comprise the statement of financial position as at 31st December 2023, 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 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies Act of Uganda, 2012.

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.

Key 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.

Key Audit Matter	How the matter was addressed in the audit
Allowance for impairment of loans and advances to customers (Individual and Portfolio Impairment) The allowance for impairment of loans to customers is considered to be a matter of most significance as it requires the application of significant judgment and use of subjective assumptions by the Directors when determining both when and how much to record as loan impairment. Furthermore, the evolving economic impact of global economic shocks like the Russia-Ukraine war and the general adverse economic environment has increased the overall risk of credit default and the possibility of significant increases in credit risk, hence raising the uncertainty surrounding management judgments and estimating processes. As at 31st December 2023, the gross loans to customers amounted to UGX.1,584 billion (2022: UGX.1,299 billion) contributing 88% (2022: 80%) of the bank's total assets and expected credit losses amounted to UGX.107.4 billion (FY2022: UGX.72.8 billion) Refer to Note 20 to the financial statements. The key areas where I identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 include; • The judgments made to determine the categorization (staging) of individual loans and advances accounts in line with IFRS 9. In particular, the identification of a Significant Increase in Credit Risk ("SICR") and Default require consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime Probabilities of Default (PD) is used • Modelling for estimation of ECL parameters; - Probabilities of Default (PDs) - Loss Given Default (LGD); and - Exposure at Default (EAD). • Inputs and assumptions used to estimate the impact of multiple macro-economic scenarios.	My procedures included the following; a) Obtained an understanding of the Bank's methodology for determining expected credit losses, including enhancements in the year, and evaluated this against the requirements of IFRS 9, Financial Instruments; b) Testing the design and implementation of critical controls across all ECL-related processes, particularly the allocation of assets into stages and management overlays; c) On a sample of contracts, I assessed the identification of loans and advances that had experienced a significant increase in credit risk or met the Bank's default definition criteria for classification purposes. This was completed by reviewing documentation and credit performance to determine whether the staging of such facilities was in accordance with Bank's policy and IFRS 9 standards; d) Tested the data used in the ECL calculation by reconciling to source systems; e) Assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards; f) I involved my internal modelling specialists to; • Review the methodology and assumptions underlying the IFRS 9 impairment model • Perform a quantitative reassessment of the IFRS 9 impairment model. I challenged the expected period to realize collateral that was used to discount the expected future cash flows and collateral values. Overall, the results of my evaluation of the Bank's allowance for impairment of loans are consistent with the Directors' assessment and I

Key Audit Matter	How the matter was addressed in the audit
Because of the significance of these estimates, judgments and the size of loans and advances portfolio, the audit of loan impairment provisions was considered a key audit matter.	found that adequate disclosures had been made by the Directors pertaining to the allowance for impairment of loans and advances and the related credit risk as per Note 20 to the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' report as required by the Companies Act, 2012 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, 2012 Laws 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, 2012 Laws of Uganda, I report to you, based on my audit, that;

i. 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.

John F.S. Muwanga
AUDITOR GENERAL

24th June, 2024

UGANDA DEVELOPMENT BANK LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Ushs '000	2022 Ushs '000
Interest income	8	156,224,957	123,402,738
Interest expense	9	(13,479,273)	(5,946,313)
Net interest income		**142,745,684**	**117,456,425**
Net foreign exchange gain	10	1,161,871	6,809,441
Fair value loss on investment property	22	-	(918,000)
Net gain on financial assets recorded at FVTPL	19	(20,793)	23,902
Other income	11	860,493	5,795,511
Net impairment loss on financial instruments	20(e)	(28,502,538)	(25,087,475)
Operating income after impairment losses		**116,244,717**	**104,079,804**
Personnel expenses	12	(27,711,094)	(23,163,999)
Depreciation and amortization	23, 24 &25	(1,212,032)	(1,332,189)
Other operating expenses	13	(15,305,877)	(14,417,309)
Profit before tax	14	**72,015,714**	**65,166,307**
Income tax expense	16(a)	(22,211,432)	(22,601,177)
Profit for the year		**49,804,282**	**42,565,130**
Other comprehensive income		-	-
Total comprehensive income net of tax		**49,804,282**	**42,565,130**
Basic and diluted earnings per share	15	**56.70**	**48.46**

The notes set out on pages 18 to 95 form an integral part of these financial statements.

UGANDA DEVELOPMENT BANK LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 Ushs '000	2022 Ushs '000
ASSETS			
Cash and cash equivalents	17	19,709,058	94,128,156
Deposits held in banks	18	66,747,872	126,273,264
Customer loans and advances	20	1,470,099,782	1,220,891,379
Staff loans and advances	21	9,137,893	9,444,717
Unquoted equity investments	38	1,655,367	598,786
Quoted equity investments	19	146,406	167,199
Investment in associate	39	4,707,754	-
Current income tax recoverable	16(b)	1,748,063	-
Other assets	27	27,762,404	20,238,281
Property and equipment	23	49,374,013	8,321,071
Intangible assets	24	122,715	138,797
Right of use of assets	25	579,393	-
Deferred tax assets	33	14,940,154	8,745,880
Investment property	22	-	31,171,000
Total assets		1,666,730,874	1,520,118,530
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	35	878,359,004	878,359,004
GOU capital contributions	36	248,049,781	150,736,195
Kuwait Special Fund	30	35,349,112	31,222,552
Asset revaluation reserve	37	2,563,242	2,563,242
Retained earnings	47	211,548,989	165,871,267
Total equity		1,375,870,128	1,228,752,260
Liabilities			
Amounts due to Bank of Uganda	28	8,708,347	9,519,197
Borrowings	29	219,022,182	213,014,327
European Union grant	32	8,568,264	2,639,887
UNCDF Fund	31	7,585,139	5,730,332
Current income tax payable	16(b)	-	5,420,622
Other liabilities	34	46,572,699	55,041,905
Lease Liability	26	404,115	-
		290,860,746	291,366,270
Total equity and liabilities		1,666,730,874	1,520,118,530

The financial statements on pages 14 to 95 were approved and authorised for issue by the Board of Directors on 13 June 2024 and signed on its behalf by:

FELIX OKOBOI
Chairperson

DR. ALBERT RICHARDS OTETE
Director

The notes set out on pages 18 to 95 form an integral part of these financial statements.

UGANDA DEVELOPMENT BANK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital Ushs'000	GOU capital Contributions Ushs'000	Kuwait Special Fund Ushs'000	Asset revaluation Reserve Ushs '000	Retained earnings Ushs'000	Total Ushs'000
At 1 January 2022	100,000,000	797,983,313	31,222,552	2,563,242	123,306,137	1,055,075,244
Total comprehensive income for the year	-	-	-		42,565,130	42,565,130
Transfers to share capital	778,359,004	(778,359,004)	-	-	-	-
Government of Uganda capital contributions	-	131,111,886	-	-	-	131,111,886
Balance at 31 December 2022	**878,359,004**	**150,736,195**	**31,222,552**	**2,563,242**	**165,871,267**	**1,228,752,260**
At 1 January 2023	878,359,004	150,736,195	31,222,552	2,563,242	165,871,267	1,228,752,260
Total comprehensive income for the year	-	-	-	-	49,804,282	49,804,282
Government of Uganda capital contributions	-	97,313,586	-	-	-	97,313,586
Transfers to Kuwait Special Fund	-	-	4,126,560	-	(4,126,560)	-
Balance at 31 December 2023	**878,359,004**	**248,049,781**	**35,349,112**	**2,563,242**	**211,548,989**	**1,375,870,128**

The notes set out on pages 18 to 95 form an integral part of these financial statements.

UGANDA DEVELOPMENT BANK LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 Ushs '000	2022* Ushs '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows before changes in operating assets and liabilities	45	(24,710,059)	2,975,848*
Changes in operating assets and liabilities			
Loans and advances		(258,773,436)	(477,805,179)*
Other assets		(2,825,495)	(1,730,872)
Other liabilities		(8,469,208)	22,464,630
Staff loans and advances		349,856	(3,660,016)*
Movement in amounts due to UNCDF		1,854,807	3,168,329
Movement in European Union Grant		5,928,377	(3,005,624)
Cash used in operations		**(286,645,158)**	**(457,592,884)**
Income tax paid	16 (b)	(35,574,391)	(25,688,440)
Interest paid	29	(11,970,022)	(5,946,313)
Interest received		116,256,121	110,475,962*
Net cash used in operating activities		**(217,933,450)**	**(378,751,675)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	23	(10,977,764)	(2,565,484)
Acquisition of intangible assets	24	(90,308)	(29,134)
Acquisition of convertible notes	27	(4,698,628)	-
Acquisition of an associate	39	(4,707,754)	-
Acquisition of unquoted equity investments	38	(1,056,581)	(598,786)
Net cash used in investing activities		**(21,531,035)**	**(3,193,404)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of amounts due to Bank of Uganda	28	(810,850)	(833,334)
Proceeds from borrowings	29	86,443,378	120,928,360
Repayment of borrowings - principal	29	(77,153,774)	(24,586,991)
Contributions from the Government of Uganda	36	97,313,586	131,111,886
Lease rental and initial direct costs paid	25 & 26	(191,166)	-
Net cash flows generated from financing activities		**105,601,174**	**226,619,921**
Net decrease in cash and cash equivalents		(133,863,311)	(155,325,158)
Cash and cash equivalents at 1 January		220,401,420	375,375,294
Effects of exchange rate changes on cash and cash equivalents		(81,179)	351,284
Cash and cash equivalents at 31 December	17	**86,456,930**	**220,401,420**

*Comparative figures are restated; see note 50

The notes set out pages 18 to 95 form an integral part of these financial statements.

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
1st Floor, Wing B
Rwenzori Towers
6 Nakasero 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. BASIS OF PREPARATION

(a) Basis of accounting and statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB), and the requirements of the Companies Act, 2012 Laws of Uganda.

For purposes of reporting under the Companies Act, 2012 Laws of Uganda, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of comprehensive income.

Changes to significant accounting policies are described in Note 3 of the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position that are measured at fair value:

- Quoted and unquoted equity investments at fair value through profit or loss
- Freehold land and buildings

(c) 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.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURE

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

a) Adoption of new and revised International Financial Reporting Standards

New and amended IFRS Accounting Standards that are effective for the current year.

In the current year, the Bank has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURE (CONTINUED)

a) Adoption of new and revised International Financial Reporting Standards (Continued)

New and amended IFRS Accounting Standards that are effective for the current year (Continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	The Bank has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events, or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The Bank has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Bank has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURE (CONTINUED)

a) Adoption of new and revised International Financial Reporting Standards (Continued)

New and amended IFRS Accounting Standards that are effective for the current year (Continued)

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	Following the amendments, the Bank is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes. Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates. The Bank has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	▪ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	▪ Classification of Liabilities as Current or Non-current ▪ Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	▪ Supplier Finance Arrangements
Amendments to IFRS 16	▪ Lease Liability in a Sale and Leaseback
IFRS 18 Presentation and Disclosure in Financial Statements	▪ Presentation and Disclosure in Financial Statements

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods, except if indicated below.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the parent company anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods should such transactions arise.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURE (CONTINUED)

b) New and revised IFRS Accounting Standards in issue but not yet effective (continued)

New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current	The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The directors of the Bank anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods.
Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants	The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g., a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. The directors of Bank anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURE (CONTINUED)

b) New and revised IFRS Accounting Standards in issue but not yet effective (continued)

New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements: ▪ The terms and conditions of the arrangements ▪ The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements ▪ The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers ▪ Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement ▪ Liquidity risk information ▪ The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURE (CONTINUED)

b) New and revised IFRS Accounting Standards in issue but not yet effective (continued)

New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.
IFRS 18 Presentation and Disclosure in Financial Statements	In April 2024, the IASB released IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) which includes presentation and disclosure requirements for all entities applying IFRS Accounting Standards. When effective, IFRS 18 supersedes IAS 1 Presentation of Financial Statements. Entities will continue to apply IAS 7 Statement of Cash Flows, although there are certain limited amendments to IAS 7 as a result of IFRS 18. The standard will not impact the recognition or measurement of items in the financial statements but will impact how companies present and disclose financial performance. Key new requirements of IFRS 18 1. The structure of the statement of profit or loss Entities will be required to classify income and expenses in the following categories: • operating • investing • financing • income taxes and discontinued operations.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURE (CONTINUED)

b) New and revised IFRS Accounting Standards in issue but not yet effective (continued)

New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

	These categories apply to all entities, with some modification for entities whose main business activities relate to investments in assets (e.g., insurers and investment entities) or provision of financing to customers (e.g., banks). In addition to these categories, the standard requires two new defined subtotals to be presented in the financial statement, operating profit and profit before financing and income taxes. 2. Aggregation and disaggregation of information Enhanced principles on the aggregation and disaggregation of information have been included in IFRS 18. Supporting application guidance will assist in determining whether information about transactions should be included in the primary financial statements or notes. 3. Disclosure requirement related to management defined performance measures. Most entities report alternative performance measures. IFRS 18 defines management-defined performance measures (MPMs). Entities are required to present MPMs in a single note to the financial statements and disclose reconciliations between the MPMs and totals or subtotals required by IFRS 18 or other IFRS Accounting Standards. The requirements will be applied retrospectively. The standard is applicable for period beginning on or after 1 January 2027. Earlier application is permitted

c) Early adoption of standards

The Bank did not early-adopt any new or amended standards in the year ended December 2023.

4. MATERIAL ACCOUNTING POLICIES

a) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Bank have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

b) Foreign currency translation

The financial statements are presented in Uganda shillings (Ushs), 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).

c) Revenue recognition

(i) Interest income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in profit or loss. The calculation takes into account all of the contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) Revenue recognition continued (Continued)

(i) Interest income and expense (Continued)

Interest income and expense presented in profit or loss include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- Interest on available-for-sale investment securities calculated on an effective interest basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

(ii) 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.

(iii) 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.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in other income.

(v) 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Income tax expense

Income tax expense comprises current income tax and deferred income tax. Current income tax and deferred income tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current income tax

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 tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management 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.

(ii) Deferred income tax

Deferred tax is provided on temporary differences 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, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(ii) Deferred income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in other comprehensive income or equity are also recognised in other comprehensive income or equity and not in profit or loss.

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.

(e) Financial assets and financial liabilities

i) Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. 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.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

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 Solely Payments of Principal and Interest **(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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets and financial liabilities (Continued)

iii) 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.

iv) 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.

In assessing whether the contractual cash flows are 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).

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

iv) Assessment of whether contractual cash flows are solely payments of principal and interest (continued)

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.

v) Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Company's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment 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.

vi) 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

vii) Derecognition

Policy on 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

vii) Derecognition

Financial assets (continued)

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.
The Bank securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Bank transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are recognised as investment securities.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

viii) 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.

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 xi (6) for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

viii) Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

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 such 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 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.

ix) 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.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Company of similar transactions such as in the Bank's trading activity.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

x) 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.

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.

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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

xi) Impairment

Policy applicable

The Bank recognises loss allowances for ECL on the following financial instruments:

- financial assets that are debt instruments;
- loan commitments issued; and

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.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally 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

ECL 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

xi) Impairment (continued)

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 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.

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 retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

xi) Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

Loss 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;
- Undrawn commitments and letters of credit: generally, 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.

Write-off

Loans and debt securities 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 borrower 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.

Recoveries of amounts previously written off are reported under other income in the statement of profit or loss and OCI.

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.

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 Company.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial assets and financial liabilities (continued)

xi) Impairment (continued)

Non-integral financial guarantee contracts (continued)

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.

xii) Designation at fair value through profit or loss

Financial assets
At initial recognition, the Bank has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

The Bank accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 4 (e)

(f) 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.

(g) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances to customers and staff are classified under amortised cost in accordance with IFRS 9.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. When the Bank chooses to designate the loans and advances as measured at fair value through profit or loss, they are measured at fair value with fair value changes recognised immediately in profit or loss.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

h) 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;

i) Property and equipment

i) 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Property and equipment (continued)

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.

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.

j) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Bank accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(k) 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

k) Intangible assets (continued)

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.

(l) 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.

(m) Employee benefits

i) 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

m) Employee benefits (continued)

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.

(n) 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.

(o) 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.

(p) 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 pre–tax 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

p) Impairment of non-financial assets (Continued)

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.

q) Accounting for leases

IFRS 16 introduces significant changes to leases accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a Right of Use asset and a Lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

Definition of a lease

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

As a lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Bank recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Bank is reasonably certain to exercise that option.

The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the bank's incremental borrowing rate is used. For leases that contain non-lease components, the bank allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

q) Accounting for leases (continued)

As a lessee (continued)

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities. Depreciation is calculated using the straight-line method to write-down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the Bank at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset if of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

As lessor

Leases of assets where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are measured subsequently at their fair value.

All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss account on a straight-line basis over the lease term.

The Bank used a number of practical expedients when applying IFRS 16. In particular, the Bank:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

The bank intends to exit its current office at Rwenzori Towers by 31 December 2024 to occupy its own premises at UDB towers and as such, the lease has been categorised as short term and has not been accounted for in line with IFRS 16. The notice of termination of the contract was issued to the tenant on 03rd April 2024.

Amounts recognised in profit or loss

Details	2023 Ushs'000	2022 Ushs'000
Expenses relating to short-term leases	1,544,517	1,326,231

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

r) 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.

s) 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.

t) 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 or joint control 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.

u) 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 group 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.

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.

The credit risk exposure is, however, managed through constant monitoring of the status of financial institutions where deposits are maintained. As a policy, the Bank places its deposits with strong local banks.

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.

5. FINANCIAL RISK MANAGEMENT

a) Credit risk (continued)

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.

Macroeconomic Forward-looking information for measuring of ECL
As a result of Geopolitical tensions in Russia and Ukraine, the global economy suffered a heavy blow and hence there was a need to revisit the forecasts used. The Bank obtained macroeconomic factors from Fitch Solutions; macroeconomic overlays were applied to the probability of default for three different scenarios: base case scenario, downside scenario and optimistic scenario.

Significant increase in credit risk
The Bank increased its analysis of restructured loans and loans that had their payments deferred to determine if they had a significant increase in credit risk instead of the restructure/ payment holiday being a trigger to transfer the loan to stage 2 or stage 3.

Use of estimates and judgements
There have been no material revisions to the nature and estimates of amounts reported in prior periods.

Use of assumptions
The COVID-19 pandemic and Geopolitical tensions continue to affect the Bank, countries and businesses at the time of issuing these financial statements. The directors expect that considering that the Bank is an essential service provider, the Bank's operations will continue despite the disruption caused by the pandemic and political tensions. The directors have also assessed that no adjusting events or conditions existed at the reporting date affecting the financial statements.

The Bank's management and directors are closely monitoring the economic developments in the key markets and sectors including undertaking scenario analysis. This enables the Bank's management and directors to take appropriate actions where necessary, including enhanced monitoring, amending the Bank's risk appetite and/or reducing limits and exposures.
Customer credit risk is not expected to increase further, management will continue to closely monitor customer segments to ensure that exposures are mitigated.

There are no conditions that would warrant impairment of non-financial assets. There are no significant financial assets measured at fair values that would materially impact the performance of the Bank.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial period are different from the judgements and assumptions used, could require a material adjustment to the carrying amounts of the assets or liabilities reported in these financial statements. The directors and management will continue to monitor the measures taken by the Government of Uganda and adjust the Bank's business strategies and plans accordingly.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

The detailed disclosures relating to credit risk have been included in note 20 (loans and advances).

The Bank's maximum exposure to credit risk is represented by the following balances:

	2023 Ushs '000	2022 Ushs '000
Cash and cash equivalents	19,709,058	94,128,156
Deposits held in other banks	66,747,872	126,273,264
Loans and advances	1,470,099,782	1,220,891,379
Staff loans and advances	9,137,893	9,444,717
Other assets*	24,660,930	18,234,537
	1,590,355,535	1,468,972,053

The above table represents the worst-case scenario of credit risk exposure to the Bank as at 31 December 2023 and 31 December 2022 without taking into account any collateral held. The exposures are based on carrying amounts as reported in the statement of financial position.

*Other assets exclude prepayments and work in progress

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 20(g) of the financial statements.

	2023			
	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Loans and advances at amortised cost	954,401,227	265,400,907	364,182,073	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	-	-	-	(552,445)
Carrying amount	933,450,157	233,674,868	303,527,202	**1,470,099,782**
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**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (continued)

	2022			
	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Loans and advances at amortised cost	915,793,701	213,026,452	169,708,901	1,298,529,054
Interest income on stage 3	-	-	(4,859,397)	(4,859,397)
Loss allowance	(21,001,516)	(22,965,654)	(37,984,577)	(81,951,747)
Modification gain				9,173,469
Carrying amount	**894,792,185**	**190,060,798**	**126,864,927**	**1,220,891,379**
Staff loans and advances	15,363,248	3,134	416,648	15,783,030
Loss allowance	(223,812)	(612)	(155,564)	(379,988)
Carrying amount	**15,139,436**	**2,522**	**261,084**	**15,403,042**

Collateral security held and other enhancements.

The Bank holds collateral and other credit enhancements against certain credit exposures.

92% (2022: 83%) of the total maximum exposure is derived from loans and advances to customers. Investment in fixed deposits represents 4% (2022: 9%) of the maximum exposure.

Loans and advances are secured by collateral mainly in the form of charges over land and buildings or personal/other guarantees. The market sale value of the collateral held as at 31 December 2023 is Ushs 3.10 trillion (2022: Ushs 2.56 trillion).

Amounts arising from ECL

Inputs, assumptions, and techniques used for estimating impairment.

See accounting policy note 4 (e).

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; and
- 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.

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 2023 included the following key indicators for Uganda for four years up to 31 December 2025.

Scenario	2022	2023	2024	2025
Base	20.05%	19.06%	19.03%	18.15%
Upside	19.07%	18.08%	18.05%	17.18%
Downside	21.02%	20.04%	20.01%	19.13%
FLI overlay	114.65%	109.02%	108.85%	103.87%

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 2023.

	2023 Ushs'000	2022 Ushs'000
Borrowings	219,022,182	213,014,327
	219,022,182	213,014,327

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 2023. Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

	10% fall in interest rates		10% rise in interest rates	
	Effect of profit before tax Ushs'000	Effect on equity Ushs'000	Effect of profit before tax Ushs'000	Effect on equity Ushs'000
At 31 December 2023				
Profit before income tax	1,347,927	1,347,927	(1,347,927)	(1,347,927)
At 31 December 2022				
Profit before income tax	594,631	594,631	(594,631)	(594,631)

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 Ushs'000	1 to 3yrs Ushs'000	3 to 5yrs Ushs'000	Over 5yrs Ushs'000	Total Ushs'000
31 December 2023					
Financial assets					
Deposits held with banks	66,747,872	-	-	-	66,747,872
Loans and advances	303,086,559	197,377,980	264,499,883	705,135,360	1,470,099,782
Staff loans and advances	319,910	808,444	37,985	7,971,554	9,137,893
Total financial assets	370,154,341	198,186,424	264,537,868	713,106,914	1,545,985,547
Financial liabilities					
Borrowings	46,841,326	140,523,978	24,016,878	7,640,000	219,022,182
Total financial liabilities	46,841,326	140,523,978	24,016,878	7,640,000	219,022,182
Interest sensitivity gap	323,313,015	57,662,446	240,520,990	705,466,914	1,326,963,365
31 December 2022					
Total financial assets	369,631,358	122,117,351	133,210,577	737,988,388	1,362,947,674
Total financial liabilities	24,022,039	44,688,878	44,688,878	99,614,532	213,014,327
Interest sensitivity gap	345,609,319	77,428,473	88,521,699	638,373,856	1,149,933,347

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 2023.

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

31 December 2023

	10% Depreciation		10% Appreciation	
	Effect on profit before tax Ushs'000	Effect on equity Ushs'000	Effect on profit before tax Ushs'000	Effect on equity Ushs'000
EUR	(81)	(81)	81	81
GBP	(90)	(90)	90	90
USD	(7,112,525)	(7,112,525)	7,112,525	7,112,525
Total	(7,112,696)	(7,112,696)	7,112,696	7,112,696

31 December 2022

	10% Depreciation		10% Appreciation	
	Effect on profit before tax Ushs'000	Effect on equity Ushs'000	Effect on profit before tax Ushs'000	Effect on equity Ushs'000
EUR	(3,568)	(3,568)	3,568	3,568
GBP	(253)	(253)	253	253
USD	(5,251,013)	(5,251,013)	5,251,013	5,251,013
Total	(5,254,834)	(5,254,834)	5,254,834	5,254,834

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Market risk (Continued)

(ii) Currency risk (continued)

The Bank's currency position is as follows:

	Uganda shillings Ushs'000	US Dollars Ushs'000	Euro Ushs'000	GBP Ushs'000	Total Ushs'000
31 December 2023					
Financial assets					
Cash and cash equivalents	17,288,121	2,419,221	813	903	19,709,058
Deposits held in banks	64,535,340	2,212,532	-	-	66,747,872
Staff loans and advances	9,137,893	-	-	-	9,137,893
Other assets (excluding non-financial assets)	26,989,572	772,832	-	-	27,762,404
Loans and advances	1,178,343,194	291,756,588	-	-	1,470,099,782
Total financial assets	**1,296,294,120**	**297,161,173**	**813**	**903**	**1,593,457,009**
Financial liabilities					
Amounts due to Bank of Uganda	8,708,347	-	-	-	8,708,347
Other liabilities	39,558,952	7,013,747	-	-	46,572,699
Borrowings	-	219,022,182	-	-	219,022,182
UNCDF Fund	7,585,139	-	-	-	7,585,139
European Grant	8,568,264	-	-		8,568,264
Total financial liabilities	**64,420,702**	**226,035,929**	**-**	**-**	**290,456,631**
Net currency position	**1,231,873,418**	**71,125,244**	**813**	**903**	**1,303,000,378**
31 December 2022					
Total financial assets	1,195,312,315	275,605,407	55,543	2,532	1,470,975,797
Total financial liabilities	62,879,021	223,046,767	19,860	-	285,945,648
Net currency position	1,132,433,294	52,558,640	35,683	2,532	1,185,030,149

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 146 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 before tax	
	Year-end share price	2023	2022
		Ushs'000	Ushs'000
KENGEN	+10%	31	62
Uganda Clays Ltd	+10%	13,192	15,221
The New Vision Ltd	+10%	1,418	1,436
KENGEN	-10%	(31)	(62)
Uganda Clays Ltd	-10%	(13,192)	(15,221)
The New Vision Ltd	-10%	(1,418)	(1,436)

(iv) Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected.

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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (Continued)

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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Up to 1 month Ushs '000	1-3months Ushs '000	3-6months Ushs '000	6- 12months Ushs '000	1-3yrs Ushs '000	3-5yrs Ushs '000	Over 5yrs Ushs '000	Contractual cashflows Ushs '000	Carrying Amount Ushs'000
31 December 2023									
Financial assets									
Cash and cash equivalents	19,709,058	-	-	-	-	-	-	19,709,058	19,709,058
Deposits held in banks	16,747,872	50,000,000	-	-	-	-	-	66,747,872	66,747,872
Loans and advances	169,451,527	52,245,839	70,350,081	41,235,353	206,365,481	293,182,184	751,153,742	1,583,984,207	1,470,099,782
Staff loans and advances*	36,072	26,767	39,561	225,750	867,463	38,019	18,289,813	19,523,445	9,137,893
Other assets**	-	-	-	24,660,930	-	-	-	24,660,930	24,660,930
Total financial assets	**205,944,529**	**102,272,606**	**70,389,642**	**66,122,033**	**207,232,944**	**293,220,203**	**769,443,555**	**1,714,625,512**	**1,590,355,535**
Financial liabilities									
Amounts due to Bank of Uganda		-	1,578,730	1,578,730	5,550,887	-	-	8,708,347	8,708,347
Other liabilities	16,502,341	1,360,157	554,864	5,303,655	6,124,018	3,112,487	13,615,177	46,572,699	46,572,699
Borrowings	9,550,000	8,641,325	9,550,000	19,100,000	140,523,978	24,016,879	7,640,000	219,022,182	219,022,182
European Grant	-	-	-	-	-	-	8,568,264	8,568,264	8,568,264
UNCDF Fund	-	-	-	-	-	-	7,585,139	7,585,139	7,585,139
Total financial liabilities	**26,052,341**	**10,001,482**	**11,683,594**	**25,982,385**	**152,198,883**	**27,129,366**	**37,408,580**	**290,456,631**	**290,456,631**
Net liquidity gap	**179,892,188**	**92,271,124**	**58,706,048**	**40,139,648**	**55,034,061**	**266,090,837**	**732,034,975**	**1,424,168,881**	**1,299,898,904**
31 December 2022									
Total financial assets	112,158,826	110,768,241	159,764,879	79,222,259	133,011,854	142,518,429	792,513,204	1,529,957,692	1,450,737,516
Total financial liabilities	39,101,155	8,784,732	10,719,160	4,978,006	61,773,997	48,036,566	112,552,033	285,945,649	285,945,648
Net liquidity gap	**73,057,671**	**101,983,509**	**149,045,719**	**74,244,253**	**71,237,857**	**94,481,863**	**679,961,171**	**1,244,012,043**	**1,164,791,868**

* The carrying amount excludes the recognised discount on the staff loans.

** Other assets exclude prepayments and work in progress.

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 2023 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.

6. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

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 2022, 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 2023, 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.

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.

7. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value hierarchy

31 December 2023	Date of valuation	Quoted prices in active markets (Level 1) Ushs '000	Significant observable inputs (Level 2) Ushs '000	Significant unobservable inputs (Level 3) Ushs '000
Assets measured at fair value				
Quoted equity investments	31 Dec 2023	146,406	-	-
Unquoted equity investments	31 Dec 2023	-	-	1,655,367
Investment in associates	31 Dec 2023			4,707,754
Investment property	31 Dec 2023	-	-	-
Freehold land	31 Dec 2023	-	-	3,926,000
Buildings	31 Dec 2023	-	-	1,048,504
Assets and liabilities not measured at fair value for which fair values have been disclosed				
Loans and advances		-	1,470,099,782	-
Staff loans and advances		-	9,137,893	-
Amounts due to Bank of Uganda		-	8,708,347	-
European Grant		-	8,568,264	-
UNCDF Fund		-	7,585,139	
Borrowings		-	219,022,182	-

31 December 2022	Date of valuation	Quoted prices in active markets (Level 1) Ushs '000	Significant observable inputs (Level 2) Ushs '000	Significant unobservable inputs (Level 3) Ushs '000
Assets measured at fair value				
Quoted equity investments	31 Dec 2022	167,199	-	-
Unquoted equity investments	31 Dec 2022			598,786
Investment property	31 Dec 2022	-	-	31,171,000
Freehold land	31 Dec 2022	-		3,926,000
Buildings	31 Dec 2022	-		1,075,618
Assets and liabilities not measured at fair value for which fair values have been disclosed				
Loans and advances		-	1,220,891,379	-
Staff loans and advances		-	9,444,717	-
Amounts due to Bank of Uganda		-	9,519,197	-
Kuwait Special Fund		-	2,639,887	-
UNCDF Fund			5,730,332	-
Borrowings		-	213,014,327	-

7. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value hierarchy (continued)

There were no transfers between level 1 and level 2 during 2023 or 2022.

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 quoted 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.

Fair value versus carrying amounts of financial assets and liabilities carried at amortised cost

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position are analysed as follows:

	31 December 2023		31 December 2022	
	Carrying amount Ushs '000	Fair value Ushs '000	Carrying amount Ushs '000	Fair value Ushs '000
Financial assets				
Cash and cash equivalents	19,709,058	19,709,058	94,128,156	94,128,156
Deposits held in banks	66,747,872	66,747,872	126,273,264	126,273,264
Quoted Equity investments	146,406	146,406	167,199	167,199
Unquoted Equity investments	1,655,367	1,655,367	598,786	598,786
Investment in associates	4,707,754	4,707,754	-	-
Loans and advances	1,470,099,782	1,470,099,782	1,220,891,379	1,220,891,379
Staff loans and advances	9,137,893	9,137,893	9,444,717	9,444,717
Other assets	27,762,404	27,762,404	20,238,281	20,238,281
Total financial assets	1,599,966,536	1,599,966,536	1,471,741,782	1,471,741,782

7. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value versus carrying amounts of financial assets and liabilities carried at amortised cost (Continued)

	31 December 2023		31 December 2022	
	Carrying amount Ushs '000	Fair value Ushs '000	Carrying amount Ushs '000	Fair value Ushs '000
Financial liabilities				
Amounts due to Bank of Uganda	8,708,347	8,708,347	9,519,197	9,519,197
Borrowings	219,022,182	219,022,182	213,014,327	213,014,327
European Union	8,568,264	8,568,264	2,639,887	2,639,887
UNCDF Fund	7,585,139	7,585,139	5,730,332	5,730,332
Other liabilities	46,572,699	46,572,699	55,041,905	55,041,905
Total financial liabilities	**290,456,631**	**290,456,631**	**285,945,648**	**285,945,648**

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 interest-bearing 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.

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy are shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average) 2023	2022
Loans and advances	DCF method	WACC	11.3%	11.3%
Borrowings and KSF	DCF method	WACC	5.7%	3.2%
Investment Property	Income capitalisation method	Capitalisation rate	-	8%

7. FAIR VALUE MEASUREMENT (CONTINUED)

Maturity analysis of assets and liabilities

31 December 2023

	Statement of financial position amount Ushs '000	(Current) No more than 12 months after the reporting period Ushs '000	(Non-Current) More than 12 months after the reporting period Ushs '000	(Current+Non-Current) Total Ushs '000
Assets				
Cash and bank balances	19,709,058	19,709,058	-	19,709,058
Deposits held in banks	66,747,872	66,747,872	-	66,747,872
Quoted Equity investments	146, 406	146,406	-	146,406
Unquoted Equity Investment	1,655,367	-	1,655,367	1,655,367
Investments in associate	4,707,754	-	4,707,754	4,707,754
Loans and advances to customers	1,470,099,782	333,282,800	1,136,816,982	1,470,099,782
Staff loans and advances	9,137,893	328,150	8,809,743	9,137,893
Property and equipment	49,374,013	-	49,374,013	49,374,013
Deferred income tax asset	14,940,154		14,940,154	14,940,154
Current income tax asset	1,748,063	1,748,063	-	1,748,063
Other assets	27,762,404	16,135,759	11,626,645	27,762,404
Intangible assets	122,715		122,715	122,715
Right of use of assets	579,393	-	579,393	579,393
Total assets	**1,666,730,874**	**438,098,108**	**1,228,632,766**	**1,666,730,874**
Liabilities				
Amounts due to Bank of Uganda	8,708,347	3,157,460	5,550,887	8,708,347
Borrowings	219,022,182	46,841,326	172,180,856	219,022,182
UNCDF Fund	7,585,139	-	7,585,139	7,585,139
European Union	8,568,264	-	8,568,264	8,568,264
Lease liability	404,115		404,115	404,115
Other liabilities	46,572,699	23,721,000	22,851,699	46,572,699
Total liabilities	**290,860,746**	**73,719,786**	**217,140,960**	**290,860,746**

7. FAIR VALUE MEASUREMENT (CONTINUED)

Maturity analysis of assets and liabilities (continued)

31 December 2022

	Statement of financial position amount	(Current) No more than 12 months after the reporting period	(Non-Current) More than 12 months after the reporting period	(Current + Non-Current) Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets				
Cash and bank balances	94,128,156	94,128,156	-	94,128,156
Deposits held in banks	126,273,264	126,273,264	-	126,273,264
Equity investments at fair value	167,199	167,199	-	167,199
Financial asset	598,786	-	598,786	598,786
Loans and advances to customers	1,220,891,379	241,469,485	979,421,894	1,220,891,379
Staff loans and advances	9,444,717	43,300	9,401,417	9,444,717
Property and Equipment	8,321,071	-	8,321,071	8,321,071
Deferred tax asset	8,745,880		8,745,880	8,745,880
Investment Property	31,171,000	-	31,171,000	31,171,000
Other assets	20,238,281	14,082,203	6,156,078	20,238,281
Intangible assets	138,797	-	138,797	138,797
Total assets	**1,520,118,530**	**476,163,607**	**1,043,954,923**	**1,520,118,530**
Liabilities				
Amounts due to Bank of Uganda	9,519,197	227,778	9,291,419	9,519,197
Borrowings	213,014,327	24,022,040	188,992,287	213,014,327
UNCDF Fund	5,730,332	-	5,730,332	5,730,332
European Union	2,639,887	-	2,639,887	2,639,887
Current income tax payable	5,420,622	5,420,622		5,420,622
Other liabilities	55,041,905	28,542,002	26,499,903	55,041,905
Total liabilities	**291,366,270**	**58,212,442**	**233,153,828**	**291,366,270**

8. INTEREST AND SIMILAR INCOME

Interest income calculated using the effective interest method.

	2023 Ushs'000	2022 Ushs'000
Interest on loans	133,848,478	95,883,970
Appraisal fees on loans	2,562,390	2,823,410
Penalty fee income on loans	2,426,170	(450,979)
Interest on deposits held in banks	15,999,738	24,078,090
Interest on staff loans	1,388,181	1,068,247
Gross interest	156,224,957	123,402,738
Total interest earned using effective interest rate method	156,224,957	123,402,738

Included within the various line items under interest income for the year ended 31 December 2023 is a total of Ushs 6.5 billion (2022: 4.8 billion) relating to impaired financial assets. The interest income reported above relates to financial instruments held at amortised cost only.

9. INTEREST EXPENSE

Interest expense calculated using the effective interest method.

	2023 Ushs'000	2022 Ushs'000
Interest expense	13,479,273	5,946,313

Included within interest expense for the year ended 31 December 2023 is interest and 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.

10. NET FOREIGN EXCHANGE GAIN/(LOSS)

	2023 Ushs'000	2022 Ushs'000
Net realized foreign exchange gains	9,327,544	36,738,128
Net unrealized foreign exchange losses	(8,165,673)	(29,928,687)
	1,161,871	6,809,441

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 2023 was 1 USD/Ushs 3,775 (2022: 1 USD/ Ushs 3,710).

11. OTHER INCOME

	2023 Ushs'000	2022 Ushs'000
Loss of disposal of assets	-	(12,862)
Rental income	1,598	18,819
Agency fees	176,185	143,719
Trade finance revenues	204,022	142,170
Other income*	478,688	5,503,665
	860,493	5,795,511

*Other income above includes loan recoveries and dividends.

Contract balances

The table below provides information about receivables and contract liabilities from contracts with customers.

	2023 Ushs'000	2022 Ushs'000
Receivables	91,187,979	63,699,259
Contract liabilities	16,149,993	15,290,089

The contract liabilities primarily relate to the non-refundable loan arrangement fees received from customers on disbursement of a loan. These are recognised as revenue over the period of the loan. The receivables relate to interest receivable on loans and advances as at 31 December 2023.

Performance Obligations

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Trade finance revenues	This is revenue earned from clients who take Letters of Credit (LCs). Establishment fee, quarterly commission fees and confirmation fees are 0.5% each of the LC amount. 0.25% fee is also charged for documentary collections on behalf of the client and 70 dollars for swift charges.	— Enforceable arrangement with customer exists. — Performance obligation (PO) – the Bank provides LCs and documentary collections. — Transaction price – fees charged as a percentage of the LC. — Allocation of price to PO – Each service is a single performance obligation, no allocation necessary. PO satisfied. — Establishment fees and commission fees- Revenue currently recognized upfront. — Commission fees - The performance obligation is satisfied at the date of maturity of the LC.

12. PERSONNEL EXPENSES

	2023 Ushs'000	2022 Ushs'000
Salaries	22,611,602	18,631,609
Service gratuity	880,693	878,596
NSSF contributions	1,904,307	1,570,452
Staff provident fund contributions	1,192,036	989,144
Staff welfare	1,122,456	1,094,198
	27,711,094	23,163,999

The total number of employees as at 31 December 2023 was 117 (2022: 89).

13. OTHER OPERATING EXPENSES

Administration expenses	3,817,109	3,530,834
Rent, utilities, and maintenance costs	2,670,055	2,115,117
Expense relating to short term leases*	1,544,517	1,326,231
Directors' emoluments	481,982	514,550
Other professional fees	1,681,616	2,496,346
Business promotions and publicity	2,616,462	2,353,829
Travel and subsistence	2,237,166	1,460,970
Auditors' remuneration	159,772	162,043
Business advisory expenses	97,198	457,389
	15,305,877	14,417,309

* Expense relating to short term leases comprises the annual rental charge for premises with Pine Investments Limited.

14. PROFIT BEFORE TAX

Profit before tax is stated after debiting / (crediting):

	Note	2023 Ushs'000	2022 Ushs'000
Depreciation	23 & 25	1,105,642	1,011,949
Amortization of intangible assets	24	106,390	320,240
Directors' emoluments	43	481,982	514,550
Auditors' remuneration	13	159,772	162,043
Net foreign exchange (gain)/loss	10	1,161,871	(6,809,441)
Fair value loss on investment property	22	-	918,000

15. EARNINGS PER SHARE

	2023 Ushs	2022 Ushs
Net profit attributable to ordinary equity holders of the Bank (Ushs)	49,804,282,000	42,565,130,000
Weighted average number of ordinary shares in issue during the year	878,359,004	878,359,004
Basic and diluted earnings per share (Ushs)	**56.70**	**48.46**

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.

16. TAXATION

a) Income tax expense

	2023 Ushs'000	2022 Ushs'000
Income tax:		
Current income tax expense	28,405,706	32,408,651
Deferred income tax credit (Note 33)	(6,194,274)	(9,807,474)
	22,211,432	22,601,177

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	2023 Ushs'000	2022 Ushs'000
Profit before income tax		72,015,714	65,166,307
Tax calculated at the statutory rate	30%	21,604,714	19,549,892
Tax effect of:			
Expenses not deductible for tax purposes	0.39%	610,707	257,170
(Over)/Under provision in prior year current tax	0.00%	(3,989)	-
Movement on indexation on revalued assets not recognised	-	-	2,422,675
Under provisional penalty	-	-	371,440
	30.85%	22,211,432	22,601,177

16. TAXATION (CONTINUED)

b) Current income tax payable / (recoverable)

The movement in income tax payable/(recoverable) is shown below:

	2023 Ushs'000	2022 Ushs'000
At 1 January	5,420,622	(1,299,589)
Charge for the year	28,405,706	32,408,651
Tax paid	(35,574,391)	(25,688,440)
At 31 December	**(1,748,063)**	**5,420,622**

17. CASH AND CASH EQUIVALENTS

	2023 Ushs'000	2022 Ushs'000
Short term deposits with financial institutions	19,728,086	94,187,261
ECL allowance -17(a)	(19,028)	(59,105)
	19,709,058	**94,128,156**

a) MOVEMENT IN ECL ALLOWANCE

	2023	2022
At 1 January	59,105	21,070
Movement in ECL allowance	(40,077)	38,035
	19,028	**59,105**

For the purposes of the statement of cash flows, cash and cash equivalents comprise of the following.

	2023 Ushs'000	2022 Ushs'000
Short term deposits with financial institutions (Note 17)	19,709,058	94,128,156
Deposits held in banks (Note 18)	66,747,872	126,273,264
	86,456,930	**220,401,420**

18. DEPOSITS HELD IN BANKS

	2023	2022
Time deposits	66,810,874	126,549,791
ECL allowance – 18(a)	(63,002)	(276,527)
	66,747,872	**126,273,264**

The average effective interest rate was 11.2% for Uganda Shillings denominated investments (2022: 9.3%) and 3.9 % for USD denominated investments (2022: 3.1%).

18. DEPOSITS HELD IN BANKS (CONTINUED)

The maturity analysis of the deposits held in banks is analysed as follows:

	2023 Ushs'000	2022 Ushs'000
Amounts due before three months	66,747,872	118,030,670
Amounts due after three months	-	8,242,594
	66,747,872	126,273,264

a) MOVEMENT IN ECL ALLOWANCE

At 1 January	276,527	234,357
Movement in ECL allowance	(213,525)	42,170
	63,002	276,527

19. QUOTED EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Ordinary Shares	Original Cost Ushs'000	Fair value 2023 Ushs'000	Fair value 2022 Ushs'000
KENGEN	6,431	1,948	312	623
Uganda Clays Limited	10,147,335	538,036	131,915	152,210
The New Vision Limited	92,674	18,535	14,179	14,366
	10,246,440	558,519	146,406	167,199

Movement in number of shares

	Sector/Industry	At 1 January 2023 Opening Balance	Purchases /(Sales)	At 31 December 2023 Closing Balance
KENGEN	Electric power	6,431	-	6,431
Uganda Clays Limited	Construction	10,147,335	-	10,147,335
The New Vision Limited	Publishing, Printing and Broadcasting	92,674	-	92,674
		10,246,440	-	10,246,440

		At 1 January 2022 Opening Balance	Purchases /(Sales)	At 31 December 2022 Closing Balance
KENGEN	Electric power	6,431	-	6,431
Uganda Clays Limited	Construction	10,147,335	-	10,147,335
The New Vision Limited	Publishing, Printing, Broadcasting	92,674	-	92,674
		10,246,440	-	10,246,440

19. QUOTED EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Movement in fair value during the year ended 31 December 2023

	2023 % in class	2022 % in class	2023 % held	2022 % held	Opening Balance Ushs'000	Fair value gain/(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%	14,366	(187)	14,179
					167,199	(20,793)	146,406

Movement in fair value during the year ended 31 December 2022

	2022 % in class	2021 % in class	2022 % held	2021 % held	Opening Balance Ushs'000	Fair value Loss Ushs'000	Closing Balance Ushs'000
KENGEN	0.4%	1%	0.1%	0.1%	843	(220)	623
Uganda Clays Limited	91%	73%	1.1%	1.1%	117,709	34,501	152,210
The New Vision Limited	8.6%	26%	0.1%	0.1%	24,745	(10,379)	14,366
					143,297	23,902	167,199

Price per share

	2023 Ushs	2022 Ushs
Movement in price per share	Closing	Closing
KENGEN	48.42	96.97
Uganda Clays Limited	13.00	15.00
The New Vision Limited	153.00	155.00

The quoted investments are stated at fair value based on quoted market prices at the reporting date.

20. LOANS AND ADVANCES

(a) Products

	2023 Ushs'000	2022 Ushs'000
Long term loans	798,267,248	693,665,938
Medium term loans	371,248,635	209,870,369
Trade finance loans	170,374,819	179,184,392
Working capital loans	211,045,839	193,451,065
Special programs	33,047,666	22,357,290
Gross advances	**1,583,984,207**	**1,298,529,054**
Less:		
Interest income on stage 3 loans	(6,525,317)	(4,859,395)
Expected credit loss allowance 20(d)	(107,359,108)	(72,778,280)
	1,470,099,782	**1,220,891,379**

All loans and advances above are held at amortised cost.
Included in the gross advances balance is interest receivable of Ushs 69,586,805,255 (2022: 50,649,300,762) as summarized below:

	2023 Ushs'000	2022 Ushs'000
Long term loans	62,273,510	43,930,259
Medium term loans	440,379	648,536
Trade finance loans	6,800,322	5,574,623
Working capital loans	5,442,949	4,698,734
Special programs	1,154,962	656,544
Total interest	**76,112,122**	**55,508,696**
Interest income on stage 3 loans	(6,525,317)	(4,859,395)
	69,586,805	**50,649,301**

(b) The maturity analysis of loans and advances to customers is as follows:

	2023 Ushs'000	2022 Ushs'000
Less than one year	303,086,559	243,289,093
1- 5 years	461,877,863	254,449,106
Over 5 years	705,135,360	723,153,180
	1,470,099,782	**1,220,891,379**

20. LOANS AND ADVANCES (CONTINUED)

(c) Gross loans to customers by sector composition:

SECTOR	EXPOSURE 2023		2022	
	Ushs'000	Percentage	Ushs'000	Percentage
Agro-Processing	399,785,471	25%	348,661,999	27%
Education Services	20,521,262	1%	20,781,173	2%
Health Care Services	107,720,264	7%	47,312,397	4%
Infrastructure	249,691,435	16%	156,433,610	12%
Manufacturing	368,663,126	23%	322,750,875	25%
Minerals, Oil & Gas	26,449,947	2%	22,434,779	2%
Primary Agriculture	243,149,178	15%	226,537,643	17%
Tourism & Hospitality	112,005,910	7%	92,721,927	7%
Others - Building, Construction and Real Estate	55,997,614	4%	60,894,651	4%
Grand total	**1,583,984,207**	**100%**	**1,298,529,054**	**100%**

The weighted effective interest rate on loans at 31 December 2023 was 7.6% (2022: 7.6%) for USD and 11.30% (2022: 11.3%) for Ushs.

(d) Movement in provision for impaired loans and advances

	2023 Ushs'000	2022 Ushs'000
At 1 January	72,778,280	55,461,529
Additional provisions raised during the year	34,797,465	17,316,751
Written off during the year	(216,637)	-
	107,359,108	**72,778,280**

(e) Net impairment loss on financial instruments

	2023	2022
Additional provisions during the year	25,071,552	26,504,543
Provisions on off balance sheet items	(5,971,015)	7,691,252
Provisions for low credit risk financial assets	(253,601)	65,881
(Recoveries)/provision for staff loans (Note 21(c))	(70,312)	(732)
Modification (gain) / loss	9,725,914	(9,173,469)
Profit and loss effect	**28,502,538**	**25,087,475**

20. LOANS AND ADVANCES (CONTINUED)

(f) Impairment and provisioning policies

The Bank recognizes the allowance for expected credit losses on all loans and advances.

Measurement of Expected Credit Losses

The Bank at each reporting date, measures the loss allowance for all loans and advances at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable and supportable information, including that which is forward-looking.

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.

(g) Impairment and provisioning policies

The expected credit losses shall be determined as follows:

ECL = PD x LGD x EAD x DF

Expected Credit Losses (ECL; The weighted average of credit losses with the respective risks of a default occurring as the weights.

Probability of Default (PD); This relates an estimate of the likelihood of default over a given time horizon.

Loss Given Default (LGD); This relates to an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

Exposure at Default (EAD); This 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, and expected drawdowns on committed facilities.

Discount Rate (DF); This is used to discount an expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition.

Further details on how the above parameters are determined are well stipulated in the Bank's loss provisioning process.

Loans and advances are categorized into the following grades:

Status	Days in arrears	Loan category
Stage 1	0-29	Performing
Stage 2	30- 89	Performing with significant increase in credit risk
Stage 3	Over 90	Non-performing

20. LOANS AND ADVANCES (CONTINUED)

Collateral held

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over property. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and are generally updated every three years except when a loan is individually assessed as impaired. As an internal requirement, the forced sale value of the collateral security is over and above the amounts of loans and advances disbursed. The forced sale value of the collateral held by the Bank for stage 3 facilities was Ushs 232 billion as at 31 December 2023 (2022: Ushs 133 billion).

21. STAFF LOANS AND ADVANCES

(a) Staff loans and advances

	2023 Ushs'000	2022 Ushs'000
Staff loans	19,523,445	15,783,030
Provision for impairment	(309,676)	(379,988)
Discount on staff loans marked to market	(10,075,876)	(5,958,325)
	9,137,893	9,444,717

Included in the staff loans and advances balance is interest receivable of Ushs 189,668,470 (2022: Ushs146,636,967) as summarized below:

	2023 Ushs'000	2022 Ushs'000
Staff Loans receivables	189,668	146,637

(b) The maturity analysis of loans to employees is as follows:

	2023 Ushs'000	2022 Ushs'000
Within three months	26,381	12,311
Between three and six months	38,648	7,545
Over six months	9,072,864	9,424,861
	9,137,893	9,444,717

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

	2023 Ushs'000	2022 Ushs'000
On 1 January	379,988	380,720
Reduction in provision	(70,312)	(732)
As at 31 December	**309,676**	**379,988**

22. INVESTMENT PROPERTY

	2023 Ushs'000	2022 Ushs'000
At 1 January	31,171,000	32,089,000
Reclassification to property and equipment	(31,171,000)	-
Fair value loss on investment property	-	(918,000)
At 31 December	-	31,171,000

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.

The value of the Bank's investment property, commercial towers, on Plot 22 Hannington Road, Kampala at 31 December 2022 was arrived at on the basis of a valuation carried out as at 31 December 2022 by Reitis Limited (Chartered Surveyors), independent professional valuers that are not related to the Bank. Reitis Limited are members of the Uganda Institute of Professional Engineers, Land/Quantity Surveyors.

The Bank applies the fair value model on its investment model in determining the property value.

The Bank has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance, and enhancements.

During the year ended 31 December 2023, the following amounts were recognised in the Bank's profit or loss:

	2023 Ushs'000	2022 Ushs'000
Other income		
Rental Income	1,598	18,819
Fair value loss on investment property	-	(918,000)
	1,598	**(899,181)**

	2023 Ushs'000	2022 Ushs'000
Other operating costs		
Property rates	147,366	11,819
Maintenance costs	24,307	268,391
	171,673	280,210

23. PROPERTY AND EQUIPMENT

	Freehold Land Ushs'000	Buildings Ushs'000	Furniture and fittings Ushs'000	Motor Vehicles Ushs'000	Computers Ushs'000	Capital Work in Progress Ushs'000	Total Ushs'000
COST/VALUATION							
At 1 January 2022	3,926,000	1,292,012	741,489	1,046,325	2,273,786	-	9,279,612
Additions	-	-	504,699	889,585	1,171,200	-	2,565,484
Disposals	-	-	-	-	(15,275)	-	(15,275)
At 31 December 2022	**3,926,000**	**1,292,012**	**1,246,188**	**1,935,910**	**3,429,711**	**-**	**11,829,821**
At 1 January 2023	**3,926,000**	**1,292,012**	**1,246,188**	**1,935,910**	**3,429,711**	**-**	**11,829,821**
Reclassification from investment property	3,632,000	-	-	-	-	27,539,000	31,171,000
Additions	-	-	229,350	548,275	537,988	9,662,151	10,977,674
Disposals	-	-	-	-	(64,750)	-	(64,750)
At 31 December 2023	**7,558,000**	**1,292,012**	**1,475,538**	**2,484,185**	**3,902,949**	**37,201,151**	**53,913,835**
DEPRECIATION							
At 1 January 2022	-	189,354	477,515	756,508	1,082,088	-	**2,505,465**
Charge for the year	-	27,040	97,281	367,423	520,205	-	1,011,949
Eliminated on disposal	-	-	-	-	(8,664)	-	(8,664)
At 31 December 2022	**-**	**216,394**	**574,796**	**1,123,931**	**1,593,629**	**-**	**3,508,750**
At 1 January 2023	**-**	**216,394**	**574,796**	**1,123,931**	**1,593,629**	**-**	**3,508,750**
Charge for the year	-	27,114	123,252	254,306	691,150	-	1,095,822
Eliminated on disposal	-	-	-	-	(64,750)	-	(64,750)
At 31 December 2023	**-**	**243,508**	**698,048**	**1,378,237**	**2,220,029**	**-**	**4,539,822**
NET CARRYING AMOUNT							
At 31 December 2023	**7,558,000**	**1,048,504**	**777,490**	**1,105,948**	**1,682,920**	**37,201,151**	**49,374,013**
At 31 December 2022	**3,926,000**	**1,075,618**	**671,392**	**811,979**	**1,836,082**	**-**	**8,321,071**

23. 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.

The valuation of the Bank's Land and Buildings was based on the open market value of the assets as at 31 December 2023. The revaluation is carried out every after 3 years and was last done for the year ended 31 December 2021 by independent professional valuers that are not related to the Bank. The revaluation surplus on land and buildings was recognised in other comprehensive income and credited to asset revaluation reserve in equity and is not available for distribution to the shareholders.
Had the assets been carried under the cost model, the carrying amount of the freehold land would be Ushs 1,270 million and that of the buildings, Ushs 734 million. This is disclosed below.

	Freehold Land Shs'000	Buildings Shs'000
Cost	1,270,000	950,000
Accumulated depreciation	-	(216,394)
Net book amount	**1,270,000**	**733,606**

24. INTANGIBLE ASSETS

	2023 Ushs'000	2022 Ushs'000
Cost		
At 1 January	2,974,316	2,945,182
Additions	90,308	29,134
At 31 December	**3,064,624**	**2,974,316**
Amortization		
At 1 January	2,835,519	2,515,279
Charge for the year	106,390	320,240
At 31 December	**2,941,909**	**2,835,519**
Net carrying amount		
At 31 December	**122,715**	**138,797**

Intangible assets comprise the initial cost of the core banking system Rubikon and other software.

25. RIGHT- OF-USE ASSET

As at 31 December 2023, the bank opened up a regional office in Gulu and entered into a 10 year lease agreement. The lease has been accounted for in accordance with IFRS 16.

	2023 Ushs '000	2022 Ushs '000
Cost		
At the beginning of the year	-	-
Present value of the lease obligation	436,650	-
Initial direct costs	152,563	-
At 31 December	**589,213**	-
Amortisation		
At the beginning of the year	-	-
Charge for the year	9,820	-
At 31 December	**9,820**	-
Net carrying amount	**579,393**	-

26. LEASE LIABILITY

Set out below are the carrying amounts of lease liability and the movements during the period:

	2023 Ushs '000	2022 Ushs '000
As at 1 January	-	-
Additions	436,650	-
Interest	6,067	-
Rental advance for the period	(38,602)	-
As at 31 December	**404,115**	-

The Bank had total cash outflows for leases of Ushs 38.60 million (2022: nil).

On 1st November 2023, UDB entered into a lease agreement with the Lessor (ACELLAM CHARLES DE'OGABA) for the property comprised in Leasehold Register Volume 4143 Folio 17 Plot 67 at Churchill Drive, Gulu (measuring approximately 0.1 52 Hectares).

UDB pays a monthly rent of UGX.2,750,000 (Uganda Shillings Two Million Seven Hundred Fifty Thousand Only) exclusive of all taxes and payable annually in advance. The monthly rental payment is automatically increased by 10% after every one year from the date of execution of the lease agreement.

The lease commenced on 1st -November 2023 and shall remain in force for a term of 10 (Ten) years. The tenancy may thereafter be renewed upon mutual consent. The leased property is used as UDB office in Gulu.

27. OTHER ASSETS

	2023 Ushs'000	2022 Ushs'000
Prepayments	1,749,444	2,003,744
Security deposits*	198,739	197,753
Other debtors**	9,687,687	12,078,459
Work in progress	1,352,030	-
Convertible notes***	4,698,628	-
Discount on staff loans marked to market	10,075,876	5,958,325
	27,762,404	**20,238,281**

*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.

**Other debtors include investment interest receivable, Msingi guarantee interest receivable and withholding tax receivable.

*** The Bank invested in equity of Ushs. 4,698,62,110 in 8-year convertible notes in Chromatic Paints Ltd and EcoPlastile Ltd. The fair value of other assets approximates the carrying amount.

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.

28. AMOUNTS DUE TO BANK OF UGANDA

	2023 Ushs'000	2022 Ushs'000
At 1 January	9,519,197	10,352,531
Drawn down during the year	-	-
Repayments during the year	(810,850)	(833,334)
	(810,850)	**(833,334)**
At 31 December	**8,708,347**	**9,519,197**

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.

29. BORROWINGS

	2023 Ushs'000	2022 Ushs'000
Arab Bank for Economic Development in Africa (BADEA Loan 0632)	11,961,398	12,450,255
Arab Bank for Economic Development in Africa (BADEA Private sector)	10,244,422	12,858,285
Islamic Development Bank (IDB)	3,208,498	5,094,139
African Development Bank (AfDB Public window)	39,940,215	45,962,086
African Development Bank (AfDB Private window)	9,670,695	13,308,249
India Exim Bank	9,588,060	12,084,576
Opec Fund for International Development	71,243,299	74,684,363
International Islamic Trade Finance Corporation	5,337,835	36,572,374
Arab Bank for Economic Development in Africa (BADEA Private sector,2023)	38,792,847	-
Arab Bank for Economic Development in Africa (BADEA Trade Finance,2023	19,034,913	-
	219,022,182	213,014,327

The movements in borrowings were as follows:

	2023	2022
Balance as at 1 January	213,014,327	114,826,602
Drawdowns during the year	86,443,378	120,928,360
Interest charge	13,479,272	5,946,313
Repayments during the year*	(89,123,797)	(30,533,304)
Foreign exchange losses/(gains)	(4,790,998)	1,846,356
	219,022,182	213,014,327

*Included in loan repayments of Ushs 89,123,797,000 during the year is Ushs 77,153,774,000 (2022: Ushs 24,586,991) and Ushs 11,970,022,000 (2022: Ushs 5,946,313) relating to repayment of principal and interest.

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 2023, USD 4,336,535 (2022: USD 4,336,535) had been disbursed from the loan account.

29. BORROWINGS (CONTINUED)

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.

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 USD LIBOR or its successor rate, plus 425 basis points. The average rate in the year is 4.47%.

As at 31 December 2023, 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 unsecured.

The Bank had utilized USD 2,900,000 by 31 December 2023 (2022: 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.

Interest is payable on the amount disbursed and outstanding from time to time during each interest period, at the LIBOR rate two (2) business days prior to the commencement of the relevant Interest period plus a rate of eighty (80) basis points per annum.

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 unsecured. The average rate in the year is 1.38%.

As at 31 December 2023, the entire amount had been drawn down from the account.

29. BORROWINGS (CONTINUED)

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 period, at the LIBOR rate two (2) business days prior to the commencement of the relevant interest period plus a rate of five hundred (500) basis points per annum.

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 unsecured. The average rate in the year is 5.81%.

As at 31 December 2023, 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 on the line of credit is accrued on the outstanding principal amount at an interest rate determined as the sum of the applicable Margin and LIBOR. The average rate in the year is 3.21%.

As at 31 December 2023, 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 2023.

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 2023, the entire amount had been drawn down from the account.

29. BORROWINGS (CONTINUED)

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 2023, the entire amount had been drawn down from the account.

ix) 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 2023, the entire amount had been drawn down from the account.

x) 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.

29. BORROWINGS (CONTINUED)

As of 31 December 2023, 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 (USD)	Amount drawn 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	10,000,0000

The fair values of the borrowings above approximate the carrying amounts.

30. KUWAIT SPECIAL FUND

	2023 Ushs'000	2022 Ushs'000
Equity		
Balance as at 1 January 2023	31,222,552	31,222,552
Capitalization of interest income from Kuwait fund facilities	4,126,560	-
Balance as at 31 December	**35,349,112**	**31,222,552**

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 2023 was 10% (2022: 10%). The fair value of the Kuwait special fund approximates the carrying amount.

31. UNCDF FUND (UN CAPITAL DEVELOPMENT FUND)

	2023 Ushs'000	2022 Ushs'000
Balance as at 1 January	5,730,332	2,562,003
Drawn down during the year	1,542,137	2,908,389
Agency costs	(324,340)	(143,720)
Interest on loans disbursed out of the fund	637,010	403,660
Balance as at 31 December 2023	**7,585,139**	**5,730,332**

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.

UDBL is then required to capitalise amounts of interest over and above the agency and administrative fees.

As at 31 December 2023, Ushs 6,179,489,420 had been disbursed from the fund (2022: Ushs 4,006,691,420)

The fair value of the UNCDF fund approximates the carrying amount.

32. EUROPEAN UNION GRANT

	2023 Ushs'000	2022 Ushs'000
Balance as at 1 January	2,639,887	5,645,511
Drawn down during the year	9,382,837	-
Disbursements from grant	(2,724,853)	(1,879,125)
Expenses relating to the grant	(729,607)	(1,126,499)
Balance as at 31 December	**8,568,264**	**2,639,887**

Uganda Development Bank Limited (UDBL) in partnership with European Union (EU) has 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 seeks to stimulate businesses operating in the tourism sector, which has been heavily impacted by COVID-19 by providing a grant and soft loan with flexible terms aligned to the current needs of the sector. A total approximate pool of Ushs 61.8 billion (Ushs 40 billion Uganda Development Bank loan plus Ushs 21.8 billion EU Grant) has been set aside for this intervention. The EU grant is subject to the signing of an agreement between EU and UDBL.

33. EUROPEAN UNION GRANT (CONTINUED)

The facility will have the following components and additional benefits:

i) 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 2023).
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 business 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 2023, EUR 3,939,928 equivalent to Ushs 16.51 billion (2022: EUR 1,602,400) had been received from European Union.

33. DEFERRED INCOME 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:

	2023 Ushs'000	2022 Ushs'000
At the start of the year	(8,745,880)	1,061,594
Deferred tax credit to profit or loss	(6,194,274)	(9,807,474)
At the end of the year	**(14,940,154)**	**(8,745,880)**

Year ended 31 December 2023

	At 1 January 2023 Ushs'000	Charge/(credit) to profit or loss Ushs'000	At 31 December 2023 Ushs'000
Deferred income tax liabilities/(assets)			
Accelerated depreciation	262,777	28,678	291,455
Provisions and unrealized losses	(9,712,322)	(6,316,687)	(16,029,009)
Tax loss on rental income	(93,735)	93,735	-
Capital gains/revaluation	797,400	-	797,400
Net deferred income tax asset	**(8,745,880)**	**(6,194,274)**	**(14,940,154)**

Year ended 31 December 2022

	At 1 January 2022 Ushs'000	Charge/(credit) to profit or loss Ushs'000	At 31 December 2022 Ushs'000
Deferred income tax liabilities/ (assets)			
Accelerated depreciation	242,195	20,582	262,777
Provisions and unrealized losses	2,455,988	(12,168,310)	(9,712,322)
Tax loss on rental income	(11,315)	(82,420)	(93,735)
Capital gains/revaluations	(1,625,274)	2,422,674	797,400
Net deferred income tax asset	**1,061,594**	**(9,807,474)**	**(8,745,880)**

34. OTHER LIABILITIES

	2023 Ushs'000	2022 Ushs'000
Accrual and other liabilities*	10,749,498	6,094,599
Deferred arrangement fees	16,149,993	15,290,089
Expected credit loss provision on off balance sheet items	4,820,217	10,791,232
Legal provisions	2,982,282	2,910,901
Staff gratuity	373,486	296,787
Other creditors**	11,497,223	19,658,297
	46,572,699	55,041,905

*The accrual and other liabilities balance includes trade creditors and accruals for the year ended 31 December 2023.

**The other creditors balance includes loan payment account, client deposits pending, other taxes payable for the year ended 31 December 2023.

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% (2022: 25%) of their total annual gross salary.

Movement in Provisions during the year.

Description	1 January 2023 Ushs'000	Movement Ushs'000	31 December 2023 Ushs'000
Staff gratuity	296,787	76,699	373,486
Leave provision	211,633	176,446	388,079
Total	508,420	253,145	761,565

35. SHARE CAPITAL

	2023 Ushs'000	2022 Ushs'000
Authorized:		
At 1 January	2,000,000,000	100,000,000
400 million Ordinary Shares of Ushs 1,000 each	-	400,000,000
Additional 1.5 billion Ordinary Shares of Ushs 1,000 each	-	1,500,000,000
At 31 December	2,000,000,000	2,000,000,000
Issued and fully paid up:		
At 1 January	878,359,004	100,000,000
Transfers from GoU Contributions during the year	-	778,359,004
At 31 December	878,359,004	878,359,004

36. SHARE CAPITAL (CONTINUED)

The Bank's authorised share capital is Ushs 2 trillion (2022: Ushs 2 trillion) divided into 2 billion shares of Ushs 1,000 each. As at 31 December 2023, the Bank had issued 878 million shares (2022: 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

	2023 Ushs'000	2022 Ushs'000
At 1 January	150,736,195	797,983,313
Contributions during the year	97,313,586	131,111,886
Transfers to share capital	-	(778,359,004)
At 31 December	**248,049,781**	**150,736,195**

37. ASSET REVALUATION RESERVE

	2023 Ushs '000	2022 Ushs '000
As 1 January	2,563,242	2,563,242
Gain on revaluation	-	-
As at 31 December	**2,563,242**	**2,563,242**

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 2021. 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.

38. UNQUOTED EQUITY INVESTMENT

	2023 Ushs '000	2022 Ushs '000
As 1 January	598,786	-
Additions	1,056,581	598,786
Investment in unquoted equity investments	-	
	1,655,367	**598,786**
As at 31 December		

As at 31 December 2023, Uganda Development Bank Limited (UDBL) had disbursed Ushs 1,655,367,000 to acquire 19.9% shares in Chromatic Paints Ltd. The Company is a manufacturer and distributor of construction and automotive paint in Uganda.

39. INVESTMENT IN ASSOCIATE

Nature of the associate

Name of associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Bank	
			2023	2022
Brentec Investments Limited	The company is a biopharmaceutical company in Uganda that delivers biologics, and health solutions.	Plot 42A Mukabya Road, Nakawa Industrial Area	25%	-

	2023 Ushs '000	2022 Ushs '000
As 1 January	-	-
Share of results of the associate	-	-
Investment by UDB	4,707,754	-
Less dividends	-	-
As at 31 December	4,707,754	-

As at 31 December 2023, Uganda Development Bank Limited (UDBL) had disbursed Ushs 4,707,753,547 to acquire 25% shareholding in Brentec investments Limited. The company had not yet commenced operations as of 31 December 2023.

40. COMMITMENTS

Loan Commitments
s
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.

	2023 Ushs'000	2022 Ushs'000
Loans approved but not disbursed at year end	516,403,730	894,097,444

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 2.89 billion (2022: Ushs 6.5 billion), while the timing of the outflow is uncertain.

42. ASSETS PLEDGED AS SECURITY

As at 31 December 2023, 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:

	2023 Ushs'000	2022 Ushs'000
GoU capital contributions (note 3)	97,313,586	131,111,886
Staff loans: interest earned	1,039,800	1,039,800
Staff loans: repayments	4,058,737	3,213,353
Staff loans: disbursements	6,374,163	6,813,465
Outstanding balances		
Staff loans (note 21)	9,137,893	9,444,717
Key management compensation		
Salaries	2,597,953	2,597,953
NSSF Company contributions	259,795	259,795
Service gratuity	714,437	714,437
	3,572,185	3,572,185
Directors' remuneration	481,982	513,950

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:

	2023 Ushs '000	2022 Ushs '000
Issued capital	878,359,004	878,359,004
Asset revaluation reserve	2,563,242	2,563,242
GOU capital contribution	248,049,781	150,736,195
Kuwait Special Fund	35,349,112	31,222,552
Retained earnings	211,548,989	165,871,267
	1,375,870,128	1,228,752,260

44. CAPITAL MANAGEMENT (CONTINUED)

During the year, the Bank got additional capital contributions from Government of Uganda of Ushs 97 billion (2022: Ushs 131 billion) and Ushs 19.6 billion was transferred from Government of Uganda contributions to Share Capital.

Effective 14 October 2022, Kuwait approved the transfer of the Kuwait Special Fund account from the Bank's liabilities' section to the equity section.

45. NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

OPERATING ACTIVITIES	Notes	2023 Ushs '000	Restated 2022 Ushs '000
Profit before taxation		72,015,714	65,166,307
Adjustments for:			
Unrealised foreign exchange (gain) / loss		(4,709,818)	1,495,072
Depreciation	23	1,095,822	1,011,949
Amortisation of intangible assets	24	106,390	320,240
Loss on disposal of fixed assets	23	-	6,611
Impairment loss on financial assets	20 (e)	28,502,538	25,087,475
Fair value loss on Investment properties	22	-	918,000
Fair value loss / (gain) on equity investments	19	20,793	(23,902)
Depreciation on leases	25	9,820	-
Interest on leases	26	6,067	-
Interest expense on borrowings	29	13,479,272	5,946,313
Interest income		(135,236,657)	(96,952,217)*
Operating cashflows before changes in operating assets and liabilities		**(24,710,059)**	**2,975,848**

46. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Borrowings Ushs'000	Amounts due to Bank of Uganda Ushs'000	Contribution from GoU Ushs'000	Total Ushs'000
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	86,443,377	-	-	86,443,377
Repayments of Debt	(89,123,797)	(810,849)	-	(89,934,646)
Capital contributions	-	-	97,313,586	97,313,586
Transfers to share capital	-	-	-	-
Total changes from financing cash flows	**210,333,907**	**8,708,348**	**248,049,781**	**467,092,036**
Other changes				
Interest expense	13,479,273	-	-	13,479,273
Foreign exchange gains	(4,790,998)	-	-	(4,790,998)
Total liability related other changes	8,688,275	-	-	8,688,275
Balance as at 31 December 2023	**219,022,183**	**8,708,348**	**248,049,781**	**475,780,312**

	Borrowings	Amounts due to Bank of Uganda	Contribution from GoU	Total
31 December 2022				
Balance as at I January 2022	114,826,602	10,352,531	797,983,313	923,162,446
Changes in financing cash flows				
Proceeds from Debt	120,928,360	-	-	120,928,360
Repayments of Debt	(30,533,304)	(833,334)	-	(31,366,638)
Capital contributions	-	-	131,111,886	131,111,886
Transfers to share capital	-	-	(778,359,004)	(778,359,004)
Total changes from financing cash flows	**205,221,658**	**9,519,197**	**150,736,195**	**365,477,050**
Other changes				
Interest expense	5,946,313	-	-	5,946,313
Foreign exchange gains	1,846,356	-	-	1,846,356
Total liability related other changes	7,792,669	-	-	7,792,669
Balance as at 31 December 2022	**213,014,327**	**9,519,197**	**150,736,195**	**373,269,719**

47. RETAINED EARNINGS

	2023 Ushs '000	2022 Ushs '000
At 1 January	165,871,267	123,306,137
Interest income on facilities under the Kuwait Fund	(4,126,560)	-
Total comprehensive income for the year	49,804,282	42,565,130
At 31 December	**211,548,989**	**165,871,267**

48. LEASES

The bank has 3 rental agreements for its current premises with the tenant (Pine Investments Limited) as reflected below.

Details of premises	Date of expiry
1st floor wing B 650 square meters	31 December 2023
5th floor Wing B 330 square meters	30 June 2024
5th floor Wing B 157 square meters	31 July 2024

The bank intends to exit these premises by 31 December 2024 to occupy its own premises at UDB towers and as such, the leases have been categorised as short term and have not been accounted for in line with IFRS 16. The notice of termination of the contracts was issued to the tenant on 3rd April 2024.

The lease payments associated with the short-term lease are as follows:

	2023 Ushs '000	2022 Ushs '000
Within one year	1,544,517	1,326,231
	1,544,517	**1,326,231**

49. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that require adjustment in the financial statements.

50. RESTATEMENT OF STATEMENT OF CASH FLOWS

The statement of cash flows for the year ended 31 December 2022 has been restated to correct Interest received amounting to Ushs 110.4 billion that was not disclosed in the cash flows from operating activities for the year ended 31 December 2022 as required by IAS 7. Consequently, no offsetting disclosure was made for interest income amounting to Ushs 97 billion in the reconciliation of non-cash items to cash generated / used in operations.

The effect of these reclassifications is as follows:

	As reported 2022	Reclassification	As reclassified
	Ushs '000'	Ushs '000'	Ushs '000'
Interest income	-	(96,952,217)	(96,952,217)
Cash flows from operating activities before changes in operating assets and liabilities	99,928,065	(96,952,217)	2,975,848
Movement in loans and advances	(464,320,474)	(13,484,705)	(477,805,179)
Movement in staff loans and advances	(3,620,976)	(39,040)	(3,660,016)
Interest received	-	110,475,962	110,475,962
Cash used in operations	**(378,751,675)**	-	**(378,751,675)**