



Absa Bank Uganda Limited

2021 Annual financial results

For the year ended 31 December 2021

Message from the Chairperson of the Board

2021 – A story of resilience and recovery

2021 was a story of two halves with the first half being characterised by uncertainty and unimaginable loss to both lives and livelihoods across the country and world. While I am happy to report that as Absa, we did not lose employees to the pandemic, our families and friends were impacted, and the devastating sense of loss lingered.

The second half, however, brought with it hope and signaled recovery especially with increased access to vaccines and gradual easing of the COVID-19 containment measures.

I would like to specially thank the management and staff for their resilience, and the clients for their continued trust in the brand especially during the hard times. The financial performance improved greatly and this is a vote of confidence from our clients and belief in our brand.

This remarkable performance is underpinned by a bold strategy executed by management with support from the Board. The Board considers the impact of the decisions it makes, and its responsibilities to all stakeholders, including employees, regulators, clients, and suppliers, as well as the communities where we operate. Our role as the Board is anchored on our purpose as an organisation – We bring possibilities to life.

Strengthening our defenses

The Bank maintained a sound control environment by incorporating combined assurance which provides assurance of effective and efficient operations, internal financial controls and compliance.

Financial and cybercrime remains one of the highest risks in the financial services sector and we remain committed to the fight against it and cybercrime. We recognise that no single company, industry, law enforcement or sovereign acting alone can eradicate this. For this reason, we see our partnership with regulators and key stakeholders as the best way to protect our business, clients, and communities. We are working closely with the regulators, the Uganda Bankers Association and other industry players to create awareness on cybercrime so as to protect our clients and the financial system, especially considering new and emerging technology.

Being an active force for good in everything we do

Our sustainability strategy is anchored in the concept of creating shared value. We have a vested interest in creating inclusive growth and delivering financial products and services in a socially and environmentally responsible manner. Opportunity and success can only be enabled through all people being treated equitably, having good health, and having access to education and income opportunities.

As a purpose – led organisation, we continue to play a leading role in four priority areas as identified under our citizenship agenda namely; education and skills development through the Absa scholarship/fellowship program and curriculum, inclusive financing, promoting a just society and environmental sustainability.

As part of our strategic priorities of being an active force for good in everything we do, we contributed towards strengthening the national response to the COVID-19 pandemic through both humanitarian and business support by donating oxygen cylinders to boost medical oxygen supplies in regional referral hospitals across the country during the peak of the second wave of the pandemic.

Furthermore, we extended support to our customers to enable them to weather the aftershocks of the pandemic through repayment holidays and innovative service channels to ease access to banking among others. This yielded positive results as we continue to witness customers increased ability to meet their credit obligations which ultimately contributed to the positive financial performance.

New Board appointments

I am delighted to welcome Mr. Philip Bliss Alier, Mr. Alex Rugamba and Ms. Sophie Nkuutu as Non – Executive Directors to the Board. I would also like to congratulate Mr. David Wandera on his appointment as Executive Director. Collectively, they bring a wealth of knowledge and experience to the Board.

Conclusion

I would like to thank the Managing Director Mr. Mumba Kalifungwa for his leadership and congratulate him, his management team, and the entire staff on delivering a solid financial performance for year ending 2021.

The pace of change brought about by the new normal, in a competitive landscape and evolution of client needs, dictates that we must keep developing attractive value propositions for clients, as well as developing our people to rise to the challenge. I am confident that Absa is well equipped to continue delivering on its strategy, manage risk, capital and liquidity, while supporting clients, employees, and communities to bring their possibilities to life.

Mrs. Nadine Byarugaba,
Board Chairperson



Mumba Kalifungwa

Managing Director

Adapting and growing through volatility, uncertainty, and adversity.

An old Chinese proverb goes *"The wise adapt themselves to circumstances, as water molds itself to the pitcher."* 2021 was another year of continued global uncertainty, many firsts and shocks brought by the COVID-19 pandemic albeit coupled with hope of recovery towards the end of second half. Despite working against a challenging backdrop, I am very proud of how my fellow colleagues and customers adapted and managed to not only survive but thrive in this new world order. Overall, our results show evidence of resilience, with performance improving and posting growth across all key business parameters.

Our financial performance in 2021

Our performance in 2021 and into this year, gives us confidence that we are on track to achieve our strategic and financial objectives. We saw a return to income growth and leap in profitability, which we believe signals the start of a sustainable recovery, and we finished the year with good momentum across all our key businesses i.e., Financial Markets, Corporate and Investment Banking, Retail and Business Banking. Good cost discipline and improved asset quality allowed us to generate positive income-to-cost jaws and an increase in our profit after tax.

We were able to turnaround the profitability of the business increasing revenue by 15.4% and growing our profit after tax almost three-fold year on year closing at Ushs 110 billion up from Ushs 41 billion posted the previous year.

Our growth in revenue to Ushs 365 billion reflects the trust our customers continue to place in us demonstrated by sustained deposit growth despite the challenging economic environment. Customer deposits rose to Ushs 2.421 trillion maintaining a three-year cumulative average growth of 10.6% sustained by increased customer engagement as we sought to deliver more value to our customers as a trusted banking partner.

Our net customer assets stand at Ushs 1.308 trillion, marginally up by 0.1% which can be attributed to weak credit demand caused by the adverse effects of the pandemic.

However, our customers have regained their ability to meet their credit obligations and we intend to continue to provide financial advisory and requisite support that enables their recovery and sustained growth. As a result, we witnessed a significant drop in impairment of 77.8% owing to a faster than anticipated recovery from the adverse economic impact of the various COVID-19 containment measures.

With total equity growing by 21.6%, we are well placed to support economic expansion across all sectors as we reinforce our position as one of the leading banks in Uganda.

Focus and outlook for 2022

We are delivering against our strategic priorities centered around improving customer and digital experience, delivering, and protecting returns, developing our people, and ensuring a sustainable control environment. Our focus is on executing against these priorities at pace, and we are making progress on each of them.

Following the full reopening of the economy early this year, we remain cautiously optimistic in the potential for growth and our sustained role as one of the leading banking partners.

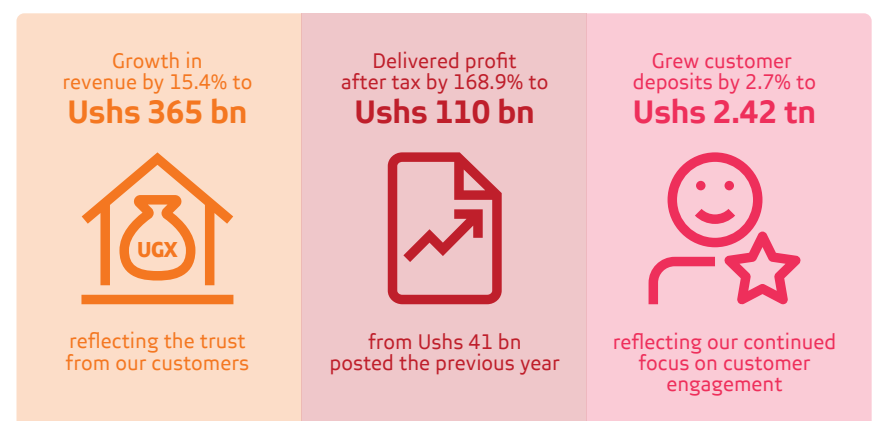
Looking ahead, we are mindful of the evolution of banking and trends shaping the financial services sector. Transformation in the digital era has been further accelerated by the pandemic as customers seek convenience.

As Absa, we will continue seeking opportunities for collaboration while becoming more agile to serve customers beyond the boundaries of traditional banking. We will continue to invest in new technology to develop robust and attractive digital systems with analytical capabilities, and augmented intelligence which will generate levels of customer engagement and operational efficiency.

Sustainability is a moral imperative and an opportunity for the Bank and society as a whole. Environmental, Social and Corporate Governance (ESG) issues have become even more critical for us. We are cognisant of the need to consider the impact of our operations from an environmental and social impact perspective, and this will also be applied to the operations of the businesses that we lend to.

We remain committed to delivering sustainable growth within the communities in which we operate for long term value creation. We see ourselves playing a leading role acting as a force for good in three priority areas namely; education and skills development, inclusive financing, promoting a just society and environmental sustainability.

We are confident in our purpose and strategy. Our purpose is to bring possibilities to life. It's in our DNA to connect our strategy with opportunities to drive growth and deliver shared value for our customers and communities.



Summary financial statements

for the year ended 31 December 2021

Report of the independent auditor on the published summary financial statements of Absa Bank Uganda Limited

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2021, the summary statement of comprehensive income, for the year then ended, other disclosures and related notes, are derived from the audited financial statements of Absa Bank Uganda Limited for the year ended 31 December 2021.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010.

Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards, the requirements of the Companies Act, 2012, the Financial Institutions Act, 2004 (as amended) and Financial Institutions Regulations of Uganda. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 11 April 2022. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Ernst & Young

Ernst & Young
Certified Public Accountants
EY House
Plot 18, Clement Hill Road
Shimoni Office Village
P.O. Box 7215, Kampala, Uganda
12 April 2022

Notes to the summary financial statements of Absa Bank Uganda Limited

The summary financial statements are extracted from the audited financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010.

	2021 Ushs 'million	2020 Ushs 'million
Other disclosures		
Contingent liabilities		
Guarantees and performance bonds	235 422	216 704
Letters of Credit	43 559	40 229
Total	278 981	256 933
Commitments		
Undrawn credit lines	682 310	503 632
Capital commitments	-	1 040
Total	682 310	504 672
Non-performing loans and advances	198 065	234 563
Interest in suspense	14 485	22 065
Bad debts written off	20 087	13 511
Large loan exposures	742 213	782 758
Insider loan exposures	2 975	2 847
Capital position		
Core capital	496 397	435 197
Supplementary capital	66 723	68 748
Total qualifying capital	563 120	503 945
Total risk weighted assets (RWA)	2 317 898	2 111 548
Core capital to RWA	21.42%	20.61%
Total qualifying capital to RWA	24.29%	23.87%

Summary statement of financial position	2021 Ushs 'million	2020 Ushs 'million
Assets		
Cash and balances with Bank of Uganda	632 966	505 880
Balances with banking institutions	106 092	183 564
Due from parent/group companies	98 006	47 255
Marketable (trading) securities	72 599	184 111
Loans and advances (net)	1 307 849	1 306 928
Investment securities	1 488 017	1 109 262
Other assets	97 672	21 246
Tax receivable	9 854	12 652
Property and equipment	73 391	78 792
Deferred tax asset	22 503	27 140
Goodwill	26 372	26 372
Derivative financial instruments	71 269	40 171
Total assets	4 006 590	3 543 373
Liabilities and shareholders' equity		
Customers' deposits	2 421 442	2 357 699
Balances due to banking institutions	362 821	275 003
Due to parent/group companies	358 231	240 994
Other liabilities	151 864	94 204
Subordinated debt	35 572	36 487
Amounts due to Bank of Uganda	4 435	4 702
Derivative financial instruments	37 751	12 328
Total liabilities	3 372 116	3 021 417
Share capital	124 264	124 264
Retained earnings	423 003	366 109
Reserves	37 207	11 583
Proposed dividend	50 000	20 000
Total shareholders' equity	634 474	521 956
Total liabilities and shareholders' equity	4 006 590	3 543 373

Summary statement of comprehensive income

Income		
Interest on deposits and placements	6 749	17 619
Interest on loans and advances	152 601	165 613
Interest on marketable/trading securities	18 632	10 801
Interest on investment securities	163 614	109 538
Foreign exchange income	46 394	41 911
Fees and commissions income	66 871	54 577
Other income	124	36
Total income	454 985	400 095
Expenditure		
Interest expense on deposits	(67 623)	(57 272)
Interest expense on borrowings	(8 583)	(14 403)
Fee and commission expenses	(13 801)	(12 200)
Provisions for bad and doubtful debts	(13 500)	(60 772)
Management fees	(44 144)	(38 688)
Operating expenses	(168 413)	(174 281)
Total expenditure	(316 064)	(357 616)
Profit before tax	138 921	42 479
Taxation	(29 410)	(1 761)
Profit after tax	109 511	40 718
Other comprehensive income	22 591	(6 700)
Total comprehensive income	132 102	34 018

Message from Directors

The above balance sheet and income statement were audited by Ernst & Young Certified Public Accountants of Uganda and received an unmodified audit opinion. The financial statements were approved by the Board of Directors on 4 March 2022 and discussed with Bank of Uganda on 21 March 2022.


Nadine Byarugaba
Board Chairperson


Mumba Kalifungwa
Managing Director

Key performance ratios

Total capital ratio



24.3%

Reg limit: 15%
(Adjusted for regulatory buffers)

Credit loss ratio



0.9%

2020: 4.2%

Return on equity



18.9%

2020: 8.1%

Effective tax rate



21.2%

2020: 4.1%

Cost-to-income ratio

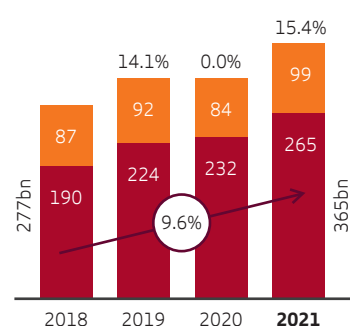


58%

2020: 67%

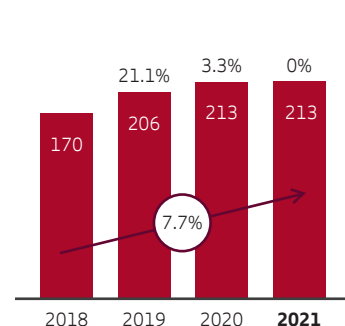
Profit and loss statement (Ushs billion)

Total income



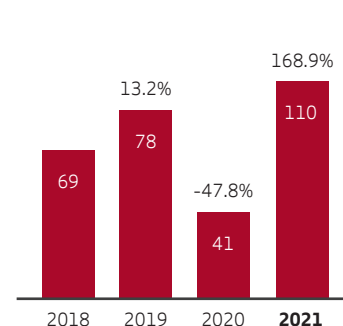
Revenue growth of 15.4% from 2020 is driven by sustained customer deposit performance throughout the year, coupled with market liquidity, despite a tough operating environment. 2021 revenue came in at Ushs 365bn, indicating a Ushs 49bn growth from 2020. This growth was underpinned by net interest income (11.6%) and non interest income (24.2%), demonstrating our continued commitment to meet our customers' transactional requirements.

Total costs



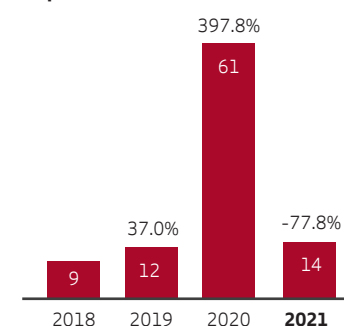
Total bank costs remained flat owing to reduction in separation costs and better cost management overall.

Profit after tax



Profit after tax grew by 168.9% year-on-year as a result of growth in revenue from increased transactional activity and staff productivity, coupled with decrease in impairment majorly from improved construct of the book. This is despite headwinds from the impact of the COVID-19 pandemic. The bank continues to remain profitable and deliver positive return on equity for the shareholders.

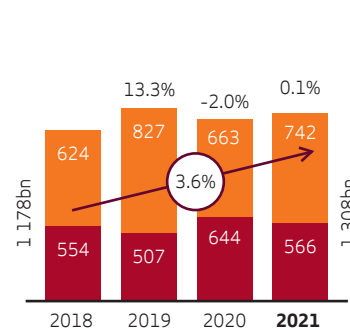
Impairment



The significant drop in impairment arose from an improvement in the construct of the book, with a faster than anticipated recovery from the adverse economic impact of the various COVID-19 containment measures. This was coupled with further savings from loans prescribed in USD as the UGX held against the USD for large parts of 2021.

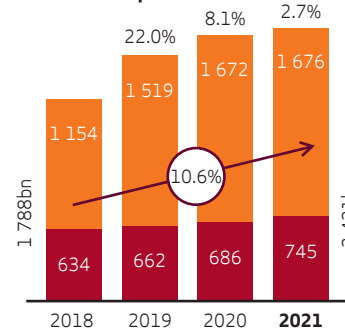
Balance sheet (Ushs billion)

Net customer loans



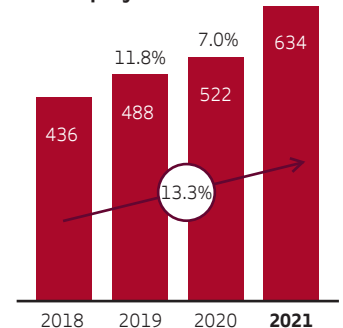
The muted growth in customer loans was mainly as a result of a tough competitive operating environment amid subdued customer demand for credit. The local currency/foreign currency construct of the book improved with the local currency proportion growing to 60% from 56% in the prior year.

Customer deposits



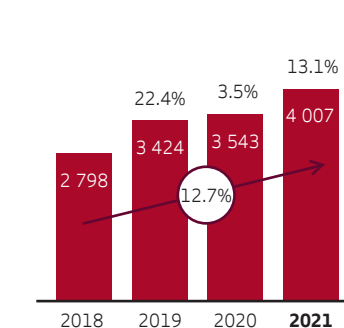
The growth is attributed to increased customer engagements from increased staff productivity driving 'new to bank' acquisition and reactivation of inactive accounts, coupled with market liquidity during the year. This is despite the phase two lockdown in quarter three with imposition of COVID-19 related restrictions.

Total equity



The increase in total equity reflects our continued growth and ability to meet the needs of our customers. As the economy continues to expand, the bank is well poised to support this growth across all strategic sectors.

Total assets



Growth is largely on the back of investment securities and supported by strong deposit mobilisation across all customer segments.

KEY



3yr CAGR (Compounded annual growth rate)



Local currency



Foreign currency

The strides we made in 2021



Product and digital innovations for easier, faster and better customer experience.

Absa is pursuing a strategic direction towards becoming a digitally powered bank, with a view to leveraging digital innovations to enhance our customer experience. In 2021, we took the following steps towards fulfilling this commitment;



Our Retail Banking Director, Musa Mai Jallow, demonstrates the use of the QR Scan to Withdraw functionality on an ATM. The function allows customers to initiate cash withdrawals from ATMs through their smartphones.

- We introduced the country's first cardless withdrawal function on Automated Teller Machines (ATMs), allowing customers to use a QR Code generated from the Absa Banking App on any smartphone device to withdraw cash at any Absa ATM countrywide.
- In partnership with MTN Mobile Money Uganda Limited, we introduced the mobile money payment functionality, also known as MTN MoMoPay on Absa Point of Sale (PoS) machines/terminals. The service is open to all MTN Uganda mobile money account holders, who can now make payments on any Absa PoS machine, regardless of whether they hold an account with the bank.

Embedding sustainability into the core of our citizenship initiatives

We recognise that to grow, we must play a role in ensuring the sustainable development of the communities within which we operate. This is the guiding factor behind our role in society focus and high impact sustainable development goals (SDG's) delivered in 2021.



Education and skills development

- 15 students under the Absa Scholarship Programme graduated in 2021. 45 students out of the 69 awarded scholarships have so far graduated successfully.
- 1 182 youth in vocational institutions trained under our ReadytoWork programme in partnership with GIZ and Uganda Manufacturers Association (UMA), with an additional 489 who completed the ReadytoWork programme being placed in 295 UMA member organisations.
- 46 small and medium enterprises (SMEs) in the construction, manufacturing, tourism, and hospitality sectors completed the Business Survival, Recovery and Continuity Training and coaching programme organised by the Employment and Skills for Development in Africa Programme (E4D) and delivered by ACLAIM Africa Limited in partnership with Abs Bank. The E4D programme is commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ), co-funded in Uganda by the Norwegian Agency for Development Cooperation (Norad) and implemented by GIZ to build the capacity of SMEs in some of the worst-affected sectors of the economy to help them manage the economic impacts caused by the COVID-19 pandemic.
- We donated 50 computers through the National Libraries of Uganda to 10 public libraries across the country to support youth skills development amid the closure of schools. The public libraries have been granted access to free wireless internet from Airtel Uganda, who additionally partnered with us to provide free data for youth to sign up for our ReadytoWork training modules that support their transition from school to the world of work by dialing *175*200# and following the prompts.

Environment

- Energy consumption savings: Installation of motion sensors for lights at all corporate buildings reduced energy consumption by 25% contributing to reduction in CO₂ emissions.
- Replaced all energy intensive fluorescent tube light fittings across the business with light emitting diode (LED) panel lights, which has reduced energy consumption by 50% lighting load requirements.
- Re-sizing of equipment to suit the required load demands across the business to minimise wastage of electrical energy; this initiative has led to 30% energy saving in specific locations.

- Installation of photocells and 24hour light switching automation across corporate offices which led to 16% energy saving at these locations thus contributing positively in reducing our carbon footprint.
- Commenced rolling out replacement of obsolete air conditioners (ACs) containing R22 refrigerant gas (contains Ozone Depleting Substances (ODS) with new ACs equipped with compressors using R410a gas which is environmentally friendly.
- Segregation of waste streams at Absa sites to facilitate recycling. Disposal of segregated waste is by licensed third party handlers to National Environment Management Authority (NEMA) certified and licensed recycling and waste treatment sites.



Mr Adonia Katungisa - Director of the National Library, Prof Barnabas Nawangwe - Vice - Chancellor of Makerere University, our Managing Director, Mumba Kalifungwa and Manoj Murali - MD of Airtel Uganda pose for a picture with some of the computers that were donated

Inclusive financing

- Currently working with over 783 agent banking outlets across the country with a 32% growth in transactions off this platform year on year.
- 83.4% of total services transactions were performed at alternate channels out of branch.

Promoting a just society and crisis support

- We donated 160 medical oxygen cylinders, related accessories and supplied up to 800 cylinder refills to the regional referral hospitals of Soroti, Gulu, Lira and Jinja to boost their capacity to meet the high requirement for oxygen therapy by patients with severe to critical COVID-19.



Our Managing Director, Mumba Kalifungwa, hands over oxygen cylinders to the Minister of Health, Dr. Jane Ruth Aceng as part of our efforts to bolster the capacities of four regional referral hospitals amid the fight against COVID-19.

- In partnership with the Uganda Institute of Banking and Financial Services (UIBFS) and the Uganda Bankers Association (UBA), Absa staff donated 245 units of blood to the Nakasero Blood Bank as part of celebrations marking two years since the Absa brand was unveiled in Uganda, which also coincided with the Banking and Financial Services awareness month activities.



Colleagues at our Head Office on Hannington Road donate blood during the Banking and Financial Services Awareness week activities. Throughout the month, 245 units were collected from colleagues all over the country.