dfcu

ANNUAL REPORT AND FINANCIAL STATEMENTS 2024

GOING FURTHER, TOGETHER

60 Years
ANNIVERSARY

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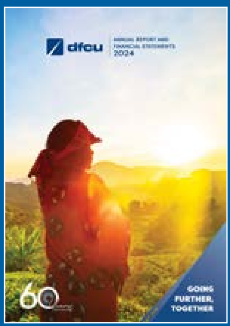
About this Report



Welcome to our 2024 Annual Report. This Report contains comprehensive detail about **dfcu** Limited (**dfcu** Group) activities throughout the financial year ending 31 December 2024. **dfcu** comprises **dfcu** Limited, **dfcu** Bank, and **dfcu** Foundation, collectively working together to serve the Ugandan market. **dfcu** Limited is a holding company listed on the Uganda Securities Exchange.

Our purpose is to Transform Lives and Businesses in Uganda. In this report, we describe how we live up to this purpose and create shared value.

Whom does the Report Target?

When assessing **dfcu**'s ability to create value in the short, medium, and long term, our stakeholders consider our financial and non-financial performance, which forms the basis for preparing this report. This report, therefore, is intended to inform stakeholder groups that have an impact on or are affected by our business. These include customers, communities, investors and shareholders, regulators and supervisors, employees, suppliers, government authorities, and non-governmental organizations. The report aims to give these stakeholders a balanced overview of our activities and our ability to create and sustain value.

What is Covered in the Report?

In this Annual Report, we disclose our financial results, strategic and management approach in the context of the external operating environment, as well as emerging and existing risks and opportunities. The report includes our 2024 Full Year Annual Financial Statements, disclosures on our sustainability commitments, our Governance, Risk, and Remuneration reports.

It also contains relevant shareholder information, notice of the 2025 AGM to be held on 10 July 2025, and the proxy voting form. Additional disclosures are available on our website: *https://**dfcu**group.com/*.

Evolution of Our Reporting Landscape

We remain cognizant of the ever-evolving reporting landscape. As such, our ambition is to continue improving the integration of financial and non-financial disclosures year by year. In this regard, this year, we will be publishing a separate Report to Society, which will detail our Environmental, Social, and Governance (ESG) commitments, reflecting growing stakeholder interest in organizations' sustainability disclosures. The Report to Society is expected to be released in the 3rd quarter.

Scope and Boundaries

Data and content in this report aim to provide an accurate and balanced account of **dfcu**'s financial and non-financial performance. This annual report covers the period 1 January to 31st December 2024. Also included is some key information upto 31st March 2025 when the results were approved and published.

Forward-Looking Statements

This Annual Report contains certain forward-looking statements regarding **dfcu**'s future performance and prospects. While these statements represent our judgment and future expectations at the time of preparing this report, several emerging risks, uncertainties, and other important factors could materially change the results from our expectations. These may include factors that could adversely affect our business and financial performance.

Assurance and Approval

dfcu's Annual Report is compiled with input from business subject matter experts, vetted by senior managers, and discussed and approved by our Executive Committee and the Board of Directors.

Feedback

We value your feedback. Please feel free to reach us on the below channels:

Toll-free Customer care number: 0800-222000

WhatsApp Customer care line: 0776-760760

Email: customercare@dfcugroup.com

About dfcu

dfcu Limited was started by the Commonwealth Development Corporation (CDC) of the United Kingdom and the Government of Uganda through the Uganda Development Corporation (UDC) under the name of Development Finance Company of Uganda Limited. Subsequent restructuring saw International Finance Corporation (IFC) and the German Development Corporation (DEG), invest resulting in an equal stake of 25%.

The objective was to support long-term development projects whose financing needs and risk did not appeal to the then existing financial commercial lending institutions.

dfcu Limited was incorporated under the Laws of Uganda on the 14th of May 1964, as a Private Limited Liability Company. In 1999, **dfcu** acquired Uganda Leasing Company which became **dfcu** Leasing, to provide direct asset-based finance.

dfcu Limited was listed on the Uganda Securities Exchange on the 14th of October 2004.

A subsidiary of **dfcu** Limited, **dfcu** Bank Limited is a leading banking and financial services company domiciled in Uganda. It came into existence in May 2000 following **dfcu**'s acquisition of Gold Trust Bank to extend universal banking services alongside the pre-existing equity finance; long term development finance; leasing and working capital finance.

Our Purpose

Transforming Lives and Businesses in Uganda.

Our Promise

Going Further, Together.

Our Goal

To sustainably grow stakeholder value with innovative solutions, inclusivity and an empowered people.

Our Behaviors

- We Take Accountability by Delivering on Our Commitments.
- We Work and Play Together.
- We Continuously Learn to Improve Our Productivity.
- We have a Shared Goal to Deliver Customer Solutions.

Key Facts about dfcu

UGX 169bn
Market Capitalisation

3,835
Number of Shareholders

3
Number of Legal Entities

55
number of Branches

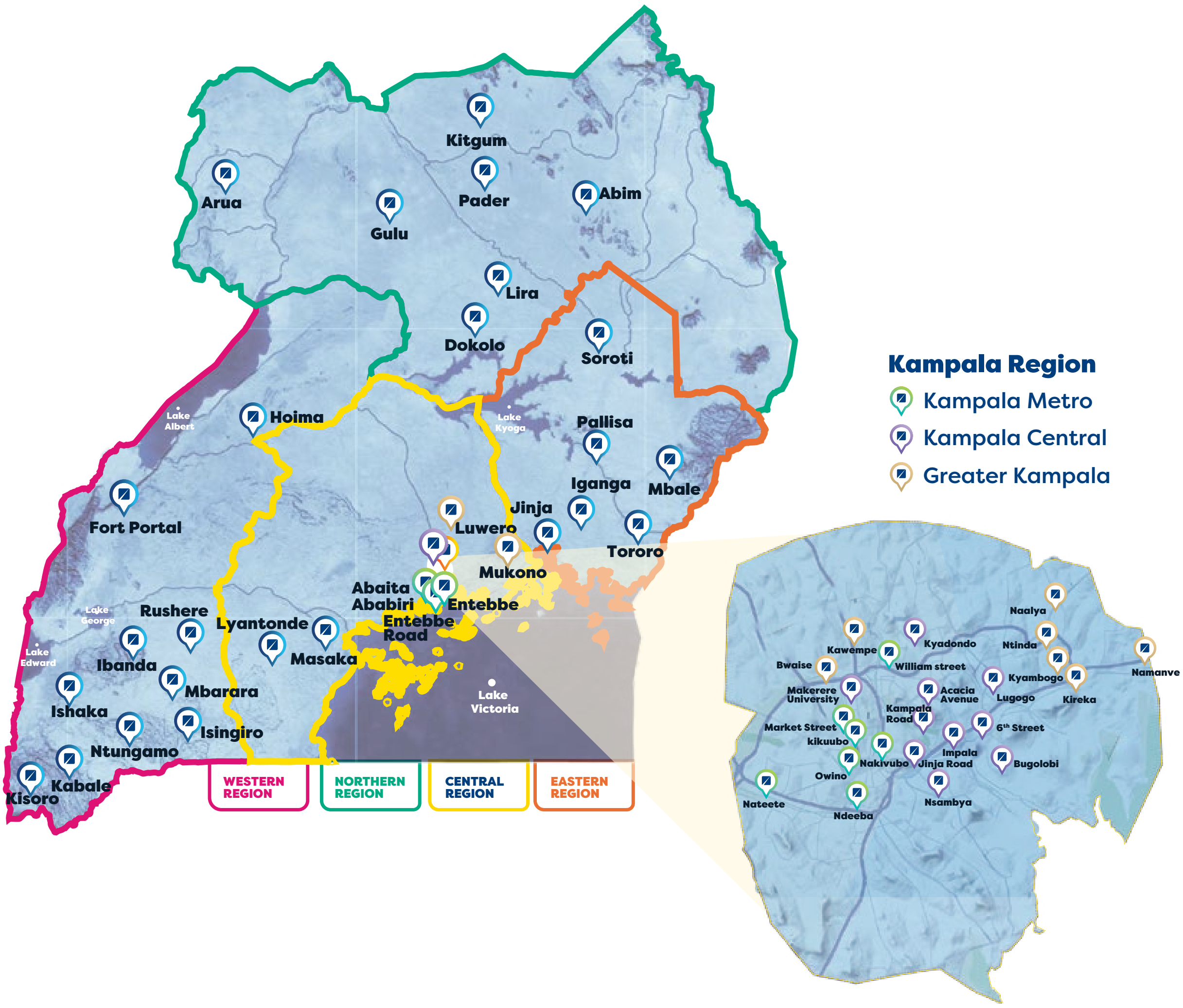
77
Number of ATMS

15
Number of Bulk Note Acceptors

2,767
Number of Agents

1,301
Number of Staff

Our Footprint



KAMPALA METRO	KAMPALA CENTRAL	GREATER KAMPALA	WESTERN	NORTHERN	EASTERN
Abaita Ababiri	6th Street	Bwaise	Hoima	Abim	Iganga
Entebbe	Acacia Avenue	Kawempe	Ibanda	Arua	Jinja
Entebbe Road	Bugolobi	Luweero	Ishaka	Dokolo	Mbale
Kikuubo	Impala	Mukono	Isingiro	Gulu	Pallisa
Kyengera	Jinja Road	Namanve	Kabale	Kitgum	Soroti
Market Street	Kampala Road	Naalya	Kisoro	Lira	Tororo
Nakivubo	Kyadondo	Ntinda	Lyantonde	Pader	
Nateete	Lugogo	Kyambogo	Masaka		
Ndeeba	Makerere University	Kireka	Mbarara		
Owino	Nsambya		Ntungamo		
William Street			Rushere		

dfcu Limited was established in 1964 as a development finance institution. Over the years, **dfcu** has partnered with Ugandans and their businesses to achieve more in sectors such as Agriculture, Manufacturing, Infrastructure and Energy, ICT, Trade and Business, Public Sector, Financial Institutions, Education, and Health.

Our Sustainability Pillars

Financial Inclusion

- Catalyze access to quality, affordable credit for underserved groups through the foundation (MSMEs, Small Holder Farmers).
- Bank focus segments-SMEs, SACCOS, Investment Clubs, WIB.
- Bank's investment in special projects- Rising Woman, Best Farmer.

Enterprise Development

- Sustainable Capacity building for MSMEs, SHF-focusing on women and youth.
- Capacity building for staff.

Education

- Inclusive quality education through CSI and strategic partnerships.
- Vocational skilling to communities.

Health

- Investing in our people's health, safety & wellbeing.
- Health- focused CSI through health camps.

Commitment to Climate Action

- Commitment to reduce the bank's carbon emissions.
- Tree growing activities with the Foundation.

Our Focus SDGs

2024 Performance at a Glance

dfcu remains committed to delivering value to all our stakeholders through effective strategy execution, prudent market exposure, quality lending, robust operations and service excellence, stringent cybersecurity, prudent capital management, and proactive risk management.

Financial Highlights

UGX 1.132 trillion
Net loans and advances
(FY2023: 1.126 trillion)

UGX 2.356 trillion
Customer deposits
(FY2023: UGX 2.318 trillion)

UGX 488 billion
Retained earnings for growth
(FY2023: 427 billion)

UGX 3.4 trillion
Total assets
(FY2023: UGX 3.1 trillion)

4.4%
Non-performing asset ratio
(FY2023: 9.5%)

UGX 72.1 billion
Profit after tax
(FY2023: UGX 28.7 billion)

UGX 20.1 per share
Dividend per share
(FY2023: Ushs 9.1 per share)

-1.1%
Credit Loss Ratio
(FY2023: 7.3%)

Strategic and shared value created

Our people, our strength

1,301
Total employee headcount
(FY2023: 1,140)

Staff Composition

Female: Male 51%: 49%
(FY2023: 51%: 49%)

UGX 1.2 billion
Staff Training Spend
(FY2023: UGX 2 billion)

UGX 35.8 billion
Financial enablement to staff
(FY2023: UGX 34 billion)

UGX 88.8 billion
Total employee benefits
(FY2023: UGX 96.7 billion)

further reading on pages 68 - 71

2024 Sustainability Highlights

15% of lending portfolio supports ESG agenda; target 25% by 2026.

15% reduction in operational carbon footprint.

15% reduction in NPLs among women-led businesses.

10% reduction in office energy consumption.

60% of waste recycled across operations.

Solar panels installed at the Head Office.

further reading on pages 95-103

Economic and Social Value Shared

UGX 130 billion
Procurement through local companies
(FY2023: UGX 121 billion)

95%
Percentage spent on local suppliers
(FY2023: 92%)

UGX 100 billion
Taxes paid to Government
(FY2023: UGX 98.9 billion)

UGX 1.5 billion
Total corporate social investment (CSI)
(FY2023: UGX 1.3 billion)

Kampala City

01 Business & Operational Environment

Resilient global economy despite geopolitical volatility

2024 was yet another challenging year for financial services globally, primarily marked by economic uncertainties and rising geopolitical tensions. The wars in Ukraine and the Middle East significantly disrupted global trade flows, while extreme weather events added further strain to commodity supply chains.

3.2%
Global economy GDP Growth rate.

Despite these challenges, the global economy demonstrated resilience with a real GDP growth rate of 3.2%, as reported by the OECD. This figure is slightly lower than in 2023 and remains below pre-pandemic levels of 3.6%. Global inflation showed signs of easing, partly due to a decline in energy prices. Nations increased efforts to combat the rising cost of living and inflation, albeit with mixed results.

The persistent high interest rates, a consequence of tightened monetary policies by central banks worldwide, created challenges for banks in managing heightened operational costs while keeping interest rates competitive for customers.

Political developments, particularly the US presidential election in November, set the stage for potential escalations in protectionist trade policies and a continuation of tariff conflicts with rivals such as China. Following the election, a strengthening dollar prompted investors to redirect their funds from developing economies in search of better returns.

In the regional context, ongoing conflicts in Sudan and the Democratic Republic of the Congo continued to pose significant risks, disrupting trade and reducing export volumes while exacerbating humanitarian crises linked to the influx of refugees and internally displaced persons.

Robust economy driving growth of Uganda's banking sector

Despite global economic and geopolitical instability, Uganda's economy demonstrated strong performance in 2024, achieving an estimated GDP growth of 6%. This positive trend was largely driven by favorable weather conditions, significant investments in the oil sector, and growth in both industrial output and private consumption. Inflation also notably declined to 3.2%, down from 8.8%, well below the target of 5.5%.

6%
Uganda's economy GDP Growth.

According to the Ministry of Finance, Planning and Economic Development, the services sector grew by 6.6% in the financial year 2023/2024. Additionally, manufacturing expanded by 5.8%, while agriculture saw a growth rate of 5.1%, largely due to government initiatives aimed at enhancing industrial growth and agricultural value addition. As a result, manufactured products not only boosted Ugandan export earnings but also contributed to a more stable Ugandan shilling.

The banking sector experienced a marked increase in demand for credit across various sectors, including manufacturing, agriculture, trade, and households. This surge in credit demand was influenced by monetary policy adjustments, notably the Bank of Uganda's (BoU) decision to reduce its key interest rate to combat declining inflation and stimulate economic growth, along with efforts to stabilize the currency and lower borrowing costs.

Additionally, improved capital adequacy ratios in accordance with BoU guidelines allowed banks to extend more loans to individuals, households, and businesses. The removal of transfer fees encouraged borrowing through lowering of switching costs for consumers seeking loan facilities.

6.8%
Bank lending Growth in UG FY 2024.

Consequently, bank lending in Uganda grew by 6.8% for the financial year ending June 2024, with total loans reaching Ush. 22.6 trillion and an average lending rate of 12.5%. There was significant growth in lending to Small and Medium Enterprises (SMEs), personal and household loans also saw increased uptake.

12%
customer's deposit growth rate.

Furthermore, customer deposits within Uganda's banking sector rose, with an average growth rate of 12% over the past decade. The rate of non-performing loans also improved, declining from 5.9% in July 2023 to 5.4% in July 2024, indicating enhanced credit portfolio quality. Banks have further strengthened their liquidity positions by investing more in government securities, enhancing overall financial stability in the sector.

Exponential growth in digital banking and what it portends

Accelerated digitalization and evolving consumer expectations are significant megatrends impacting the banking industry not only in Uganda but across the globe. As a result, banks are under pressure to realign their operational strategies to adapt to this new economic landscape, with product innovation emerging as a crucial pillar in supporting the resilience of the sector. Today's consumers, who are increasingly discerning and tech-savvy, are demanding more comprehensive and personalized services from financial providers.

The exponential growth in digital banking has led to a surge in the adoption of mobile and online banking platforms, creating new opportunities for innovation in both products and customer experiences.

Technology has proven to be a key driver of this transformation, utilizing AI-generated consumer insights to tailor services and enhance customer engagement. Furthermore, the automation of banking processes has resulted in reduced transaction costs and quicker service turnaround times, benefiting both banks and their clients.

In Uganda, the expansion of the digital lending market is being propelled by the rising use of smartphones, greater access to financial services—particularly in rural areas—and an increased willingness to utilize digital payment solutions.

Digital lending plays a critical role in promoting financial inclusion, with many digital lenders focusing on underbanked segments, such as micro, small, and medium enterprises (MSMEs) and low-income earners who traditionally lack access to conventional banking services. However, the transition to a digital-centric banking model does come with significant risks.

Notable concerns include the rising incidence of fraud and cybercrime, which necessitate a heightened emphasis on cybersecurity and information risk management. This includes implementing enhanced fraud monitoring systems, AI-powered threat detection measures, automated fraud detection, and robust third-party risk controls to safeguard both institutions and consumers from emerging threats.

Dynamic regulatory environment to strengthen stability and governance of financial institutions

In 2024, Uganda's banking industry witnessed significant regulatory changes as the Bank of Uganda continued to put in place measures to strengthen financial stability and governance standards in the industry. Notably, on June 30, 2024, the new minimum capital threshold of Ush. 150 Billion for commercial banks came into effect.

Ush. 150B

Commercial banks threshold took effect in June 2024

As part of efforts to strengthen governance within the financial sector, the Financial Institutions (Corporate Governance) Regulations 2024 were passed, aligned with the 2022 BoU Corporate Governance Guidelines.

Among the salient provisions in the new regulations, is the requirement for financial institutions to have an odd number of directors.

To promote sustainability in Uganda's banking sector, the BoU launched the Environmental, Social and Governance (ESG) Framework in 2023. The goal is to ensure that financial institutions support national sustainability goals including enhancing financial inclusion.

The Framework is anchored on international standards, notably, Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB).


dfcu
Xclusive Banking
WELCOME TO
XCLUSIVE BANKING
WEALTH MEETS WISDOM
Step into Xclusive Banking today.
Call 0800 222000
GOING FURTHER, TOGETHER
dfcu Bank is regulated by the Central Bank of Uganda. Customer deposits are protected by the Deposits Protection Fund of Uganda up to UGX 10 million. T&Cs apply.
dfcugroup
dfcu Bank
+256 776 760 760
Call Centre: 0200 504 200
Toll Free: 0800 222 000 or 0800 777 000
Email: customercare@dfcugroup.com
www.dfcugroup.com

dfcu Limited Chairman, Attorney General, **dfcu** Bank Chairperson, **dfcu** Bank CEO/MD

02 Reflections from our Leadership

Message from the Chairman,

*Board of Directors, **dfcu** Limited*

Our transition from a Development Finance Company to one of the largest Commercial Banks in Uganda has enabled us to continue to support businesses in driving sustainable development through financial inclusion and diversity.

Jimmy D. Mugerwa
Chairman, Board of Directors

On behalf of the Board of Directors of dfcu Limited, I am pleased to present the dfcu report for the financial year ended December 31, 2024. The year was one of consolidation and strategic alignment, as we navigated a dynamic regulatory landscape and strengthened our commitment to delivering sustainable value to our stakeholders. We have delivered a strong operational and financial performance which has laid a foundation for us to remain competitive in the market.

UGX 20.09

Dividends per share

30%

Board diversity (Female/male)

2024 saw a rapid evolution of the geopolitical, economic and political landscape that forced resilient businesses to pivot quickly.

Remaining committed to its Ugandan heritage, **dfcu** continues to support businesses in driving sustainable development through financial inclusion and diversity.

dfcu has played a significant role in advancing Uganda's socio-economic transformation through its services, people, commitment to local development and focus on demographics such as women, the youth and SMEs.

The Group celebrated 60 years of existence in 2024 and we would like to thank our shareholders for the support that you have given us over the years.

Our transition from a Development Finance Company to one of the largest Commercial Banks in Uganda has enabled us to continue to support businesses in driving sustainable development through financial inclusion and diversity.

At 60 we celebrate several milestones comprising of innovation, resilience and above all, supporting Uganda's economic growth.

Our commitment is to continue Going Further, Together with you.

Enhancing Shareholder Value

The Group posted impressive financial results in 2024, driven by improved efficiencies and financial performance of the main trading subsidiary **dfcu** Bank. Group Profit After Tax grew by 155% to **UGX 72.1Bn**. This underscores our commitment to continuously grow shareholder value and return on their investments.

Our five-year strategy is anchored on delivery of sustainable revenue and business growth, enhancing investor engagement and creating long-term shareholder value.

"We are filled with immense pride and excitement as we celebrate dfcu's 60th anniversary. This milestone is a testament to our resilience and enduring positive impact on customers, stakeholders, and Uganda's socio-economic fabric.

Message from the Chairman,
*Board of Directors, **dfcu** Limited*

The 2024 financial year performance is a clear indicator of our commitment to driving our strategic objectives to meet our financial targets.

Navigating Regulatory Changes and Strengthening Governance

In 2024, **dfcu** Limited focused on solidifying its governance framework in anticipation of changes to the regulatory framework regarding the governance of holding companies which remain in the offing. We continue to hold engagements with our regulators who include the Capital Markets Authority, Bank of Uganda and Uganda Securities Exchange.

As a company, we have zero-tolerance to non-compliance of internal and regulatory guidelines. In 2024, we enhanced our internal compliance capabilities by recruiting an internal auditor, HLB Jim Roberts Certified Public Accountants, to strengthen our oversight and risk management. This step aligns with our strategy of maintaining operational resilience, transparency, and risk management excellence. We are also conducting a comprehensive review of our internal policies to ensure they remain relevant in the evolving cybersecurity landscape.

We had changes in the senior management team of **dfcu** Limited at the end of 2024. The Board of Directors appointed Ms. Sophie Achak as the General Manager of the company replacing Mr. George Ochom, who retired from **dfcu** after 17 years of service.

On behalf of the Board, I welcome Sophie to the Group and also thank George Ochom for his leadership during his tenure with **dfcu**. More about the Board's activities, make-up and the work of the Committees are in the corporate governance section of this report from page 106.

Enhancing Group Cohesion and Brand Alignment

A significant milestone in 2024 was the rebranding of the Agribusiness Development Centre (ADC) to **dfcu** Foundation. This strategic move reinforces the cohesion of the **dfcu** brand and underscores our commitment to unified service delivery across all entities within the Group.

We are now structured as **dfcu** Limited, **dfcu** Bank, and **dfcu** Foundation, working together to serve Ugandans and their businesses.

Our focus this year has been on enhancing relationships across our entities to maximize our collective impact. As an indigenous brand deeply rooted in Uganda, we are dedicated to being more relevant and responsive to the needs of our communities.

Commitment to a Sustainable Future

dfcu remains firm in its commitment to creating lasting value for the diverse communities we serve across the nation.

Through the **dfcu** Foundation, we will continue to play a pivotal role in promoting financial literacy by offering capacity building initiatives that will also extend to entrepreneurship development, where we provide mentorship programs, access to micro-loans, and training sessions designed to empower aspiring business owners.

We aim to foster a culture of responsible banking that prioritizes ethical practices and environmental considerations, ensuring that our growth contributes positively to society. Through these efforts, **dfcu** aspires to empower individuals, businesses, and communities, solidifying our position as a leader in Uganda's financial sector.

Looking Ahead

As we continue our journey, **dfcu** Limited remains steadfast in its commitment to upholding the highest standards of corporate governance. We prioritize fostering cohesion across all our entities, which is essential for delivering sustainable value to our diverse stakeholders.

Our proactive stance on adapting to regulatory changes, combined with our strategic alignment across various business units, positions us favorably for continued success in the evolving financial landscape.

I would like to extend my heartfelt appreciation to my fellow Board members, management, staff, and stakeholders for their support throughout the past year. Their hard work and commitment have been instrumental in driving our initiatives.

I firmly believe that, together, we will continue to shape a stronger, more agile, and more impactful **dfcu** Group in the coming years. Our collective efforts and shared vision will empower us to meet the challenges ahead and capitalize on the opportunities that arise.

The key performance metrices in place are expected to deliver tangible impact and generate strategic growth that will deliver attractive returns for you, our shareholders, as our strategic priorities are clear, our leadership team is now in place, supported by a structure that enables action.

We aim to foster a culture of responsible banking that prioritizes ethical practices and environmental considerations, ensuring that our growth contributes positively to society. Through these efforts, ***dfcu*** *aspires to empower individuals, businesses, and communities, solidifying our position as a leader in Uganda's financial sector.*

The People Who Lead Us

Board of Directors, dfcu Limited

Jimmy D Mugerwa

Board Chair

Appointed:
2022

Qualifications
MSC, BSc Agriculture

Core Competences
- *30 years experience in Oil and Gas industry*
- *Business Strategy and Development*
- *Business Leadership and Stakeholder Management*
- *ESG*

Committees:
- *Business Development Committee*

Kironde Lule

Non-Executive Director

Appointed:
2011

Qualifications
B.Sc (Econ.) (Hons) (LSE) ; F.C.A. (ICAEW); C.P.A. (USA)

Core Competences
- *Accounting and Auditing*
- *Banking and Finance*
- *Risk*

Committees:
- *Audit and Risk Committee (Chair)*

Friedrich Christian Pelser

Non-Executive Director

Appointed:
2019

Qualifications
CA (SA) and B.Sc. (Acc.) (Hons).

Core Competences
- *Accounting and Auditing*
- *Investment Banking and Private Equity*
- *Risk*

Committees:
- *Nominations and Governance Committee (Chair)*
- *Audit and Risk Committee*

Arimi Barbra Teddy

Non-Executive Director

Appointed:
2019

Qualifications
CIPR, MBA, CIM, B.Com

Core Competences
- *Marketing*
- *Business Strategy and Development*
- *Public Relations and Stakeholder Management*

Committees:
- *Business Development Committee (Chair)*
- *Nominations and Governance Committee*

Dr. Aminah Zawedde

Independent Non-Executive Director

Appointed:
2020

Qualifications
PhD CS, CISA, MSCS, BSc(Hons) Stats & Econ.

Core Competences
- *Digital Transformation*
- *Business Process Re-engineering*
- *Enterprise Architecture*

Committees:
- *Audit and Risk Committee*
- *Business Development Committee*

Francis Gimara, SC

Independent Non-Executive Director

Appointed:
2024

Qualifications
MDR, LLM, PG Dip(BM). Dip. LP (LDC)LLB

Core Competences
- *Law*
- *Governance*
- *Banking and Finance*

Committees:
- *Nominations and Governance Committee*

George Ochom

General Manager

Appointed:
2018

Retired:
2024

Qualifications
FIB, BBA(Fin)

Core Competences
- *Treasury Management*
- *Banking and Finance*
- *Risk*

Committees:
- *None*

Sophie Achak

General Manager

Appointed:
1st January 2025

Qualifications
MBA, B.Com

Core Competences
- *Banking and Finance*
- *Strategy Development & Implementation*
- *Financial Management*

Committees:
- *None*

The People Who Lead Us

dfcu Foundation Board of Directors

Appointed:
2023

Retired:
2024

Qualifications
MBA, BBA

Core Competences
- *Banking And Finance*
- *Strategic Planning,*
- *Marketing and Product Development*
- *Risk Management*
- *Process and Project Management*

Appointed:
2024

Qualifications
FCCA, ACCA, CPA

Core Competences
- *Accounting and Auditing*
- *Banking and Finance*
- *Risk Management*
- *Financial governance*
- *Investor Relations*

Appointed:
2021

Qualifications
Ph.D. (PHT). MSc. in PHT, B.Sc (Agric)

Core Competences
- *Agribusiness professional*
- *Food security*

Appointed:
2021

Resigned:
2025

Qualifications
M.Bkg Fin, B.Com, ACC

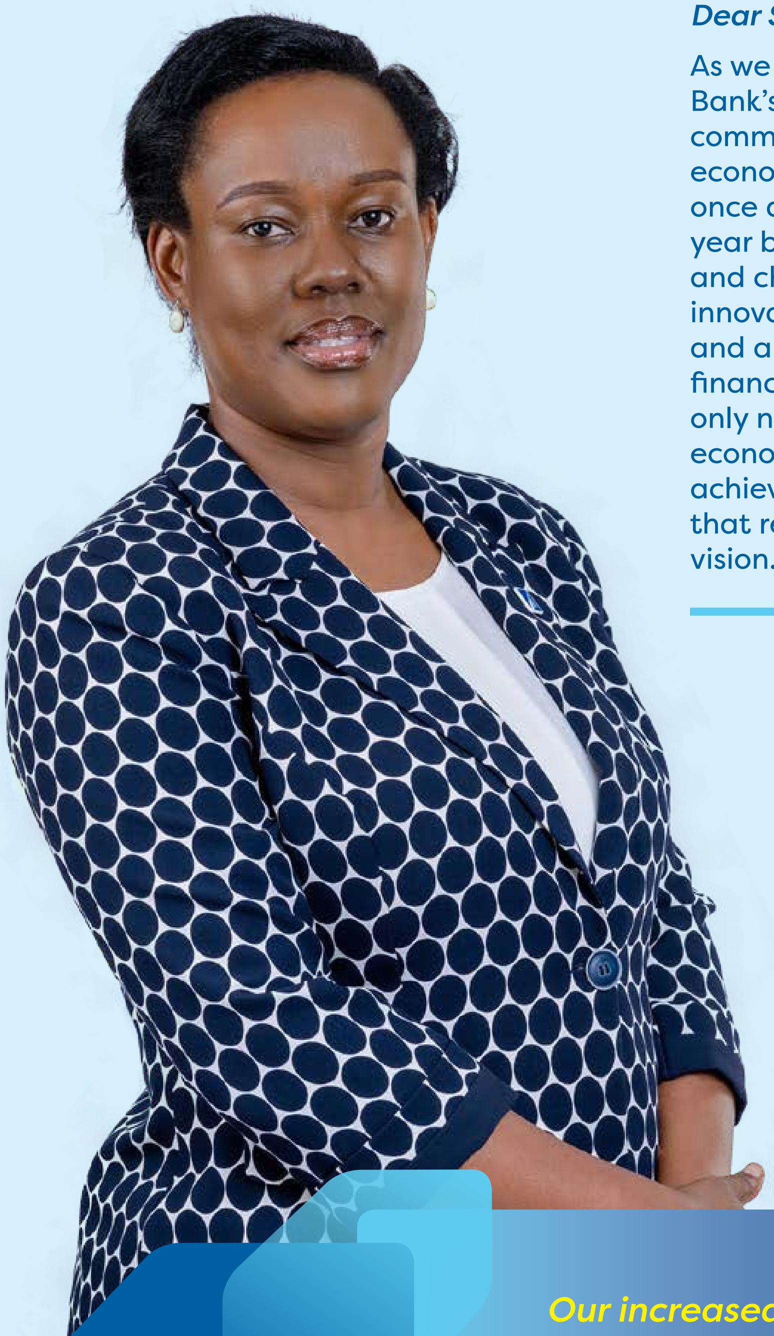
Core Competences
- *Banking and Finance*
- *Grants and Project Management*
- *Strategy and Business Development*
- *Coaching*

Appointed:
2025

Qualifications
MBA, PMP, B.Stat.

Core Competences
- *Strategy Planning and Execution*
- *Program and Project Management*
- *Institutional Strengthening and Development*
- *Grants Management*

Message from the Chairperson,
*Board of Directors, **dfcu** Bank*



Dear Shareholders,

As we look back on 2024, **dfcu** Bank's resilience and unwavering commitment to Uganda's economic transformation have once again set us apart. This year brought both opportunities and challenges, but through innovation, strategic partnerships, and a steadfast focus on financial inclusion, we have not only navigated a challenging economic landscape but also achieved remarkable milestones that reinforce our long-term vision.

Prof. Winifred Tarinyeba

Chairperson,
Board of Directors

Our increased lending to critical economic sectors has provided much-needed capital to entrepreneurs, farmers, and manufacturers, driving sectoral growth.

Our journey is shaped by the belief that real progress happens when we move forward together. Our brand promise, 'Going Further, Together,' truly embodies our collaborative spirit. We forged stronger partnerships with SMEs through our expanded digital lending platforms and pioneered sustainable finance initiatives, such as the funding of three new solar energy projects, that directly supported Uganda's green transition.

121%

Increase in Net Profit

79.2Mn UGX

Investment made for the staff-led *60 Acts of Kindness* CSR campaign.

15%

Improvement in customer satisfaction after we automated key customer service processes.

By automating key customer service processes, we improved customer satisfaction by 15%, proving our commitment to both innovation and customer-centricity. Through strategic investments in digital infrastructure and targeted lending programs, **dfcu** Bank continued to be a driving force in shaping Uganda's financial future.

That is why our refreshed brand promise is more than just a statement. It is the guiding principle behind everything we do. It reflects our dedication to collaborative growth, sustainable impact, and financial empowerment, ensuring that individuals, businesses, and communities across Uganda unlock their full potential.

Strategic Progress and Impact

The first full year of our 'Fired-Up' strategy has catalyzed transformational progress across all strategic pillars, solidifying **dfcu** Bank's position as a leader in financial resilience, innovation, and customer-centric banking. These key pillars define where we play, how we win, and the cultural and technological shifts needed to drive change.

Through robust revenue growth and cost optimization, resulting in a 121% increase in net profit, we have significantly strengthened our market position, ensuring sustainable value creation for our stakeholders.

Our digital transformation journey has accelerated with significant advancements in digital banking and automation, driving greater efficiency and a seamless customer experience. Simultaneously, our unwavering commitment to a customer-first approach has fostered deeper engagement, innovative product offerings, and service excellence that precisely cater to the evolving needs of individuals and businesses.

Measurable Impact:

- Loan book growth in priority sectors—Agriculture, Manufacturing, Energy, ICT, and Trade—powering Uganda's economic growth.
- A surge in digital adoption, with more customers embracing our mobile and online banking platforms for enhanced convenience.
- Enhanced operational efficiency, reflected in faster turnaround times for key banking services.

Beyond these numbers, the true success of the 'Fired-Up' strategy is measured by the lives and businesses we are empowering. Our increased lending to critical economic sectors has provided much-needed capital to entrepreneurs, farmers, and manufacturers, driving sectoral growth.

Our financial inclusion initiatives, particularly for women entrepreneurs and SMEs, are opening doors to new economic opportunities. Furthermore, our tailored digital finance solutions have extended essential financial services to previously underserved markets.

As we move forward, we remain steadfast in our commitment to deepening our impact, rigorously measuring progress, and ensuring that every strategic move translates into tangible economic transformation for Uganda.

Message from the Chairperson,
*Board of Directors, **dfcu** Bank*

Financial Performance and Capital Management

*2024 was a landmark year for **dfcu**'s financial performance:*

- **Net profit grew by 121%**, a testament to our disciplined execution and strategic investments.

- **Risk-weighted assets were maintained at Ushs 1.7 trillion**, reinforcing our prudent risk management approach.

- **A balanced capital allocation strategy** allowed us to optimize asset growth while maintaining liquidity and stability.

Having **met the UGX 150Bn share capital requirement well ahead of the June 2024 deadline**, our next priority is leveraging this financial strength to **expand lending to SMEs and underserved markets**, ensuring that more businesses can thrive.

Governance, Leadership, and Talent

Strong governance and strategic leadership remain at the heart of **dfcu**'s continued success. In 2024, we took deliberate steps to enhance board diversity and reinforce governance structures.

- We welcomed **leaders with expertise in banking, risk management, technology, and Sustainability**, strengthening our strategic decision-making.
- **Board training programs** were introduced to deepen governance excellence and strategic foresight.

As we move forward, our focus remains on **fostering a strong culture** that aligns with our long-term vision. The **right people, guided by a clear purpose**, will drive **dfcu**'s success into the future.

Digital Transformation and Innovation

Technology is central to **dfcu**'s growth strategy, and in 2024, we continued to invest in digital transformation:

- **AI-driven customer insights** are now helping us personalize services and enhance customer engagement.
- **Automation of key banking processes** has reduced transaction times and operational costs.
- **Our mobile and online banking platforms** have expanded, making banking more seamless and accessible.

Through these advancements, **dfcu** is not just keeping pace with digital trends but actively shaping the future of banking in Uganda.

Sustainability and Social Impact

Beyond financial success, **dfcu** remains committed to sustainable and impact-driven banking. Our key initiatives in 2024 included:

- The **dfcu Foundation**, which trained **28,000 farmers** in financial literacy and agribusiness skills.

- **Women's Empowerment Programs**: As pioneers of the Women in Business program, we remain committed to expanding access to finance for female entrepreneurs to support their full participation in economic-generating activities. As an example, through this program, 212 women in 30 districts across Uganda have benefited from the GROW initiative.

- **Green Finance Initiatives** supporting sustainable investments in **renewable energy projects**.

- **An investment of UGX 79,213,000** was made for the staff-led **60 Acts of Kindness** CSR campaign that resulted in 9,259 people benefiting. The areas of impact were health, education, and vulnerable communities.

Through these efforts, **dfcu** continues to champion financial inclusion, entrepreneurship, and environmental sustainability, ensuring that our growth benefits the wider community.

28,000
farmers trained in agribusiness skills by **dfcu Foundation.**

212
women in **30 districts** benefited from the **GROW** initiative.

9,259
people that benefited from our **60 Acts of Kindness**

Future Outlook and Strategic Priorities

Looking ahead to 2025 and beyond, dfcu's focus will be on three key priorities:

1. ***Sustainable Growth*** – Strengthening core banking operations while expanding digital and SME lending.

2. ***Technology and Innovation*** – Accelerating digital transformation to enhance efficiency and customer experience.

3. ***ESG Leadership*** – Deepening impact-driven initiatives that support financial inclusion, gender equality, and environmental sustainability.

Closing Remarks and Appreciation

As we embark on this next phase of growth, I would like to express my deepest gratitude to our shareholders, customers, employees, and partners. Your trust and collaboration have been instrumental in our journey.

At **dfcu** Bank, we believe that by Going Further, Together, we can unlock new opportunities, create lasting impact, and shape a more resilient and prosperous Uganda. Our commitment to financial excellence, innovation, and sustainability remains unwavering, and I am confident that the best is yet to come.

I wish to thank you for your continued support as we endeavor to go even further together.

The People Who Lead Us

Board of Directors, dfcu Bank

Dr. Winifred Mary Tarinyeba Kiryabwire

Chairperson, Board of Directors

Date appointed:
12th April 2019

Qualifications:
LLB, PGDip (LDC), LLM, JSD

Skills:
Legal & regulatory, Financial services, Governance.

Committees:
None

Albert Johan Martein Marie Jonkergouw

Non-Executive Director

Date appointed:
9th August 2013

Qualifications:
CTA, BCom.

Skills: *Accounting, Financial services, People/Organizational development*

Committees:
- *Nominations Committee,*
- *Remunerations Committee,*
- *Technology Digital and Operations Committee*

Stephen John Caley

Non-Executive Director

Date appointed:
2nd June 2016

Qualifications: *Chartered Institute of Bankers Diploma.*

Skills:
Accounting, Financial services, People/ Organizational development

Committees:
- *Risk Committee,*
- *Remunerations Committee*
- *Assets and Liabilities Committee,*
- *Nominations Committee (Chair)*
- *Technology Digital and Operations Committee (Chair)*

Dr. Geoffrey Jeff Sebuyira - Mukasa

Independent Non-Executive Director

Date appointed:
1st January 2023

Qualifications: *BCom, FCCA, Masters in Business Leadership, Doctorate in Business Leadership*

Skills:
Leadership, Accounting, Risk, People/ Organizational development, Audit & Assurance

Committees:
- *Credit Committee,*
- *Risk Committee (Chair)*
- *Renumeration Committee (Chair)*

Mark William Springett

Independent Non-Executive Director

Date appointed:
12th July 2022

Qualifications:
BCom.

Skills:
Accounting, Risk, Audit & Assurance, Financial services

Committees:
- *Risk Committee,*
- *Technology Digital and Operations Committee,*
- *Audit Committee (Chair)*

Dr. Danete Higgins Zandamela,

Independent Non-Executive Director

Date appointed:
18th August 2022

Qualifications:
DBA (Banking - UK); DBA (Banking - Netherlands) MSc (Strategic Management – UK) Banker's Diploma (IOBSA)

Skills:
Banking and financial services, Business strategy, Accounting, Risk, Audit & Assurance.

Committees:
- *Audit Committee,*
- *Nominations Committee,*
- *Credit Committee (Chair)*
- *Assets and Liabilities Committee (Chair)*

George Njuguna Kamau, MBS

Independent Non-Executive Director

Date appointed:
20th September 2024

Qualifications:
MBA, BSBA, Management Information Systems

Skills:
ICT, Banking and financial services

Committees:
- *Audit Committee,*
- *Risk Committee,*
- *Technology Digital and Operations Committee.*

Millie Nkaja

Independent Non-Executive Director

Date appointed:
14th October 2024

Qualifications:
MBA, Bcom.

Skills:
Accounting, Risk, Banking and financial services,

Committees:
- *Audit Committee,*
- *Credit Committee,*
- *Assets and Liabilities Committee.*

The People Who Lead Us

Board of Directors, dfcu Bank

Charles Mudiwa

Executive Director

Date appointed:
28th March 2023

Qualifications:
BA Econ, PGD Leadership & Change Management, Banking Certificate.

Skills:
Banking and financial services, Business strategy, Economics, Leadership & Change Management.

Committees:
None

Kate Kiiza

Executive Director

Date appointed:
7th August 2023

Qualifications:
BA Econ, CPA, FCCA

Skills:
Accounting, Banking and Financial Services, Economics, Executive Management.

Committees:
None

dfcu
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dfcu Bank is regulated by the Central Bank of Uganda. Customer deposits are protected by the Deposits Protection Fund of Uganda up to UGX 10 million. T&Cs apply.
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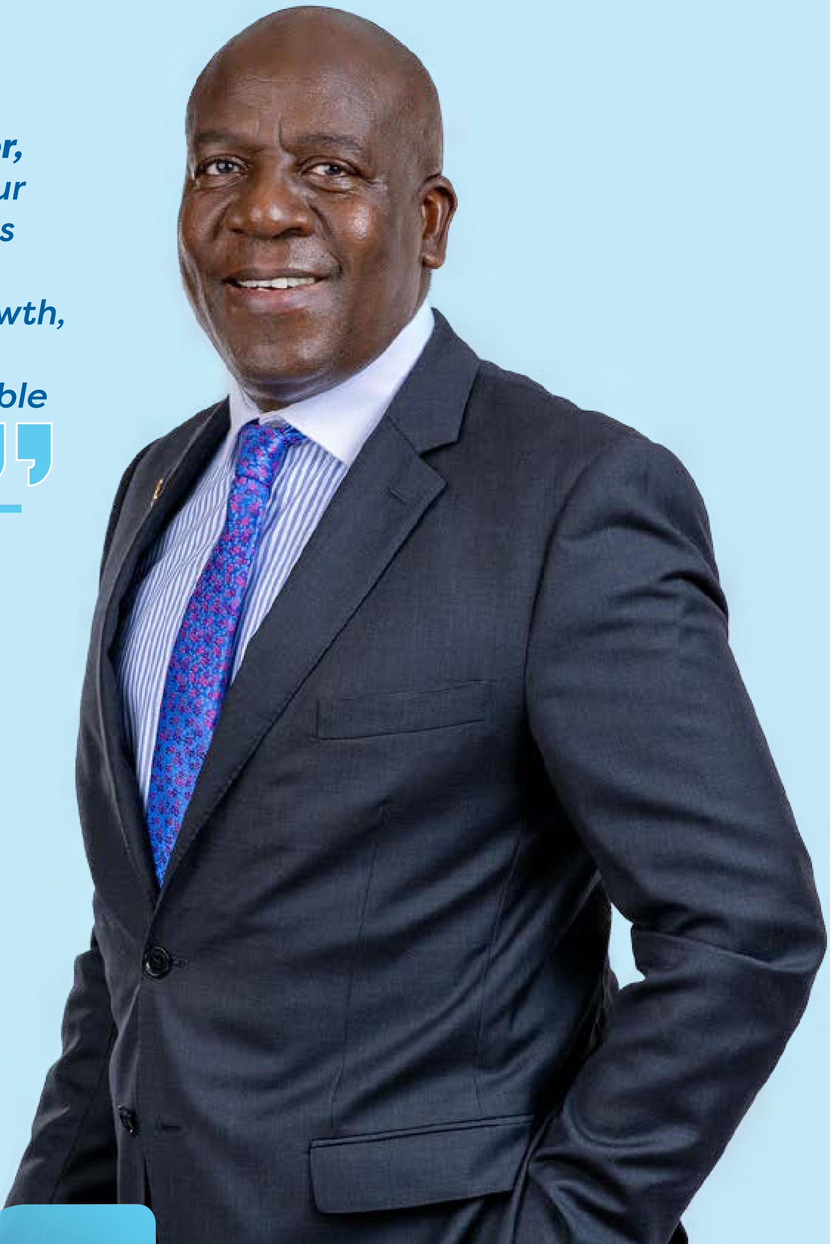
dfcu Bank
+256 776 760 760
Call Centre: 0200 504 200
Toll Free: 0800 222 000 or 0800 777 000
Email: customercare@dfcugroup.com
www.dfcugroup.com

Chief Executive Officer Report

*Our refreshed brand promise, "**Going Further, Together**," embodies our evolution and reinforces our commitment to partnership-driven growth, enhanced financial inclusion, and measurable sustainable impact.*



Charles Mudiwa

Managing Director/ Chief Executive Officer

"Our strong capital position provides us with significant opportunities for future expansion. We plan to leverage this capital to accelerate our digital growth, invest in targeted sectors, and forge strategic partnerships"

Our Strategic Vision:

Building upon six decades of unwavering commitment to Uganda's economic development, **dfcu** Bank entered 2024 with a renewed focus on transformation. Adhering to international best practices in corporate governance and sustainable finance, we decisively transitioned from the refocusing phase of our strategic plan to the transformative stage, laying a robust foundation for enduring growth and market leadership.

Our strategic vision remains clear: to be the financial institution of choice for businesses across Uganda, driving economic development and creating lasting value for all stakeholders.

Our refreshed brand promise "Going Further, Together," embodies our evolution and reinforces our commitment to partnership-driven growth, enhanced financial inclusion, and measurable sustainable impact. This promise underscores **dfcu**'s role as more than just a financial institution; it is a catalyst for growth, empowering individuals and enterprises to unlock their full potential in a rapidly evolving digital landscape.

In line with global trends, we are prioritizing digital transformation, strengthening our ESG commitments, and enhancing stakeholder engagement, ensuring that we not only meet but exceed the expectations of our customers and the communities we serve.

Progress of the "Fired-Up" Strategy:

2024 marked the first full year of **dfcu**'s "Fired-Up" strategy, a transformative roadmap designed to refocus, transform, and rebound the business for long-term growth.

We achieved significant strides across the strategy's three key phases. The refocus phase, which involved business reorganization, operational streamlining, and strategic alignment, was successfully completed.

We then fully engaged in the transformation phase. Key initiatives included our successful partnership with CR2, a global banking software company, and the launch of CR2's BankWorld platform in July 2024, upgrading our ATM and payments platforms. This has significantly improved transaction efficiency, security, and customer convenience, with our ATM uptime going up from 88% to 93%, a major step in **dfcu**'s digital transformation journey.

Beyond technology, we deepened cultural transformation initiatives, reinforcing a performance-driven and customer-centric culture to align with our strategic ambitions. We also restructured our sector approach, implementing clear risk appetite controls to drive sustainable growth in key priority areas.

With these critical shifts in place, **dfcu** is well-positioned to enter the Rebound phase—scaling innovations, optimizing efficiencies, and unlocking new opportunities for growth in 2025 and beyond.

Delivering Tangible Results and Customer Impact:

Our efforts in 2024 yielded significant improvements across multiple performance indicators:

- **Customer Growth & Engagement:** We recorded a 24% increase in online banking customers, an 8% rise in borrowers, and a 40% increase in women entrepreneurs leveraging our financial solutions.
- **Customer Satisfaction & Trust:** Our Net Promoter Score (NPS) improved by 20 points, reflecting increased customer confidence in our services.
- **Digital Transformation & Transactions:** Online transactions surged by 37%, and we expanded our agent network by 45%, reinforcing our commitment to financial accessibility.

These results underscore the effectiveness of our strategy and our ability to adapt to the evolving financial landscape.

Financial Performance Highlights and Capital Position:

Financially, 2024 was a year of significant achievement. We achieved a 121% increase in profit after tax, demonstrating the effectiveness of our strategic initiatives. Importantly, we made substantial improvements in our risk profile, with our non-performing asset (NPA) ratio decreasing from 9.5% to 4.4%. This improvement reflects

Chief Executive Officer Report

our disciplined approach to credit management and our commitment to maintaining a healthy portfolio.

Our balance sheet has remained relatively flat as we focused on recovering past loans, which was a strategic choice to ensure we could manage the portfolio properly. Given the improvements, we are positioned to grow the balance sheet in 2025.

Our strong capital position provides us with significant opportunities for future expansion. We plan to leverage this capital to accelerate our digital growth, invest in targeted sectors, and forge strategic partnerships. We are also establishing the **dfcu** Foundation to enhance our social impact and strengthen our community relationships.

Market Share, Lending Strategy, and Growth Opportunities:

To win market share, we are strategically focusing on four key areas: deep sector knowledge, customer intimacy, advanced technology capabilities, and a high-performance culture. We are building strong capabilities in each of our prioritized sectors, fostering strong customer relationships through our customer intimacy model, and investing in cutting-edge technology to enhance customer experience.

Our culture is evolving to be more responsive, agile, and productive, enabling us to deliver exceptional service and give back time to our customers.

Our primary focus in 2024 was on recovery and managing our credit portfolio. We concentrated on collecting and recovering loans, ensuring that we strengthened our fundamentals. This strategic approach led to significant improvements in our NPA ratio and portfolio at risk (PAR), positioning us for growth in 2025. We see opportunities to grow our loan book by investing in targeted sectors, focusing on women in business, and financing technology entrepreneurs.

Talent Acquisition, Development, and Operational Efficiencies:

We are committed to building a talented and high-performing team. In 2024, we strategically recruited new talent to bring in fresh perspectives and skills. However, we are also focused on developing our internal talent, aiming to have 70% of our skills sourced from within the bank. We are investing in training and development programs, including international secondments and executive training, to provide our employees with opportunities for career growth and advancement.

Our technology investments have driven significant operational efficiencies. For example, we reduced the time for account opening from 5-10 days to 15 minutes, and our ATM uptime improved from 88% to 93%. These efficiencies have allowed us to redeploy our workforce to other critical areas, enhancing overall productivity. Our transaction success rate also increased from 93% to 95%, reflecting improved system stability and customer satisfaction.

Digital Transformation, Cybersecurity, and Data Utilization:

We are committed to becoming a data-driven, digital, and technology-driven bank. Our digital transactions increased by 37% in 2024, demonstrating our progress in this area. We are investing in resilient and robust technology capabilities to enhance customer experience

15Min
Time it takes to open an account with us.

93%
ATM uptime from 88%.

95%
Transaction success rate up from 93%.

and adapt to emerging technologies like artificial intelligence.

We recognize the importance of cybersecurity and data privacy. We have a dedicated cyber team and have implemented multiple layers of security, including multi-factor authentication, end-to-end data encryption, and regular security audits. We are also committed to educating our staff on best practices to ensure we remain a safe and reliable digital banking partner.

Sustainability and Social Impact Through the dfcu Foundation:

We are embedding sustainability into our business through initiatives like the transition of the Agribusiness Development Centre (ADC) to the **dfcu** Foundation.

Our social impact strategy is driven by four key pillars: financial inclusion, enterprise development, skills training, community support, and environmental commitment. The Foundation will serve as the bedrock for our sustainability efforts, Transforming Lives and Businesses across Uganda.

Navigating Challenges, Building Resilience, and Future Opportunities:

We faced several challenges in 2024, including navigating a volatile global economic environment and adapting to evolving regulatory requirements. However, the Ugandan economy showed positive trends, with a strengthened shilling and economic growth.

We strengthened our risk management frameworks, enhanced our regulatory engagement, and recapitalized the bank in line with central bank guidelines.

Despite the aforementioned challenges, we remained resilient and focused on delivering our strategy and achieving sustainable growth. We also embraced agile frameworks, allowing us to be more adaptable and responsive to changing conditions.

***Looking ahead**, we see significant opportunities in the expansion of digital financial services, the growth of the SME sector, strategic partnerships, and agricultural financing. We are preparing for potential shifts in Uganda's banking landscape by ensuring we are adequately capitalized, maintaining a strong risk appetite, and adapting to new regulatory demands.*

Strategic Priorities for 2025:

Our top priorities for 2025 include embedding and consolidating our sector specialization, strengthening customer intimacy, continuing our digital transformation, fostering an agile culture, promoting evidence-based leadership, and investing in sustainability across all aspects of our business.

Appreciation and Closing Remarks:

I extend my sincere appreciation to our customers for their continued trust and support. We are also grateful to Bank of Uganda, the government, our shareholders, our board, and our dedicated staff for their unwavering commitment and contributions.

Together, we are building a stronger and more resilient **dfcu** Bank, poised to drive sustainable growth and create lasting value for all our stakeholders.

Chief Financial Officer Review

*Our performance this year is a clear reflection of the effectiveness of our '**Fired Up**' Strategy, which redefined the Group's operating model by sharpening our focus on performance culture, customer-centricity, innovation, and resilience.*

Rebecca Birungi
Ag. Chief Financial Officer

Collaborations with FinTechs, development finance institutions, and sector-based ecosystem players are enabling us to offer more relevant products, access new customer segments, and de-risk our portfolio.

Key Financial Highlights of 2024

Profit After Tax

Up **155%** — driven by improved asset quality, and enhanced revenue efficiency.

Balance Sheet Growth

Total Assets up **9%** Customer Deposits up **2%** Equity up **9%.**

Dividend Proposed

Ushs **20.09** per share (up from **Ushs 9.10** in 2023)

Credit Loss Reduction

Down **115%**, reflecting better risk management and loan recoveries.

Digital Banking Milestone

80%+ of all transactions now digital. Mobile-based Mobi Loans enhanced to expand reach.

Non-Interest Income

Fees & commissions up **2%** through digital banking and trade finance.

The year 2024 marked a pivotal period in **dfcu** Group's journey—one in which we not only recorded our strongest financial performance in years, but also deepened the alignment between our financial strategy and long-term institutional transformation. In a dynamic and sometimes uncertain macroeconomic environment, we delivered a robust financial performance, driven by improved and prudent credit risk management processes, sustained progress in digital transformation and balance sheet optimization.

Our performance this year is a clear reflection of the effectiveness of our 'Fired Up' Strategy, which redefined the Group's operating model by sharpening our focus on performance culture, customer-centricity, innovation, and resilience. As articulated by the CEO, this strategy has positioned **dfcu** to be more agile, sector-focused, and impact-driven.

The finance function has evolved alongside this strategy—becoming a more proactive partner in value creation, not only through traditional stewardship but also through analytics-driven decision-making and digital innovation.

Chief Financial Officer Review

Resilient Profitability and Strong Capital Position

We are pleased to report a significant 155% growth in profit after tax, a milestone achievement that underscores our recovery from prior year challenges and the materialization of operational efficiencies across the Group. This growth was largely supported by a 115% reduction in credit losses, a testament to our enhanced credit risk frameworks, better portfolio monitoring, and successful recovery efforts. Our loan book is curently well-managed and of high-quality with careful growth aligned to sectors where we can drive both financial and social value.

The Group's capital position remained strong with a 9% increase in equity, providing a strong buffer for future growth, regulatory compliance, and strategic investments. As a result of this financial strength and our improved performance outlook, the Board has proposed a final dividend of Ushs 20.09 per share, more than doubling last year's payout of Ushs 9.10. This substantial increase reflects our confidence in the business' resilience and our commitment to returning value to our shareholders.

Disciplined Growth Anchored by Stability

In 2024, **dfcu**'s total assets grew by 9%, underpinned by strategic portfolio reallocation and cautious lending growth. A deliberate shift toward safer, interest-generating investments realized a 40% year-on-year increase in government securities, which now represent a stable source of predictable income amidst macroeconomic volatility.
Customer deposits grew by 2%, driven by continued trust in the **dfcu** brand and our efforts to diversify our funding sources. This was achieved even as competition for deposits intensified, underscoring our customer loyalty and reputation for stability.

The balance sheet remains healthy and liquid, positioning the Group well to take advantage of new lending and investment opportunities in 2025 and beyond.

Strategic Realignment and Leadership Renewal

Our financial performance was also influenced by internal transformation. In 2024, we restructured our leadership and operating model to align with the Fired Up strategy. This involved recruiting new talent into key roles, creating a leaner and more agile executive team. The restructuring process enabled quicker decision-making, cross-functional collaboration, and clearer strategic accountability.

These changes contributed significantly to operational efficiency and are expected to deliver long-term value beyond just financial metrics.
As the finance function, we have embraced this transformation, playing a central role in not only budgetary oversight and risk control but also in helping shape strategic priorities through better data, insights, and scenario planning.

Digital transformation for efficiency and innovation continued to be powerful enablers of our strategy. Over 80% of all transactions in 2024 were conducted through digital platforms, led by the continued success of our QuickBanking platform and the rollout of new mobile-based solutions such as Mobi Loans. These digital lending products are expanding financial access, particularly to SMEs and informal sector participants, while simultaneously lowering transaction costs.

This digital migration is not only improving service delivery but is also creating a sustainable cost advantage for the Group. The reduction in physical branch traffic, paper-based processing, and manual interventions directly supports our cost-to-income ratio improvement targets and positions us to scale more profitably in the future.

Furthermore, digital channels contributed to a 2% growth in fees and commissions, particularly from payment services, trade finance, and mobile banking. These non-interest income streams are a critical part of our revenue diversification strategy, making the Group less vulnerable to fluctuations in interest rates or credit demand.

9%
dfcu's total asset growth in 2024

2%
growth of customer deposits in 2024

80%
of all transactions in 2024 were on digital platforms

Strategic Partnerships and Sector-Focused Lending

A core part of our financial strategy in 2024 was partnering for innovation and impact. Collaborations with FinTechs, development finance institutions, and sector-based ecosystem players are enabling us to offer more relevant products, access new customer segments, and de-risk our portfolio. These partnerships also support **dfcu**'s role in national development, especially in areas such as agriculture, women-led enterprises, and SMEs.

We continued to apply a sector-focused lending strategy, which allows us to better understand the needs of our clients, tailor solutions, and ensure that credit extension is both profitable and impactful. This approach has helped to balance risk exposure, enhance portfolio quality, and align our lending book with the country's economic transformation agenda.

Looking Ahead: The Future of Finance at dfcu

Looking ahead, we remain steadfast in our commitment to aligning our financial function even more closely with **dfcu**'s overarching 'Fired Up' strategy. We will continue to strategically leverage technology to further optimize our revenue generation capabilities and enhance overall profitability. A key focus will be on expanding our digital lending offerings and strengthening our collaborations with FinTech partners to drive innovation and reach new customer segments.

We firmly recognize the evolving role of the Chief Financial Officer and the broader finance function within a dynamic financial institution. The finance team at **dfcu** is rapidly evolving beyond traditional financial stewardship, transforming into a strategic engine that actively fuels innovation, drives impactful decision-making, and promotes inclusive progress across the organization.

Furthermore, we are deeply committed to fostering a culture of continuous innovation and embedding sustainability principles into all our financial practices, ensuring that **dfcu** remains a leading and responsible financial institution in Uganda for years to come. While we celebrate the strong bottom-line growth achieved in 2024, our ultimate commitment remains to building a resilient, purpose-driven institution that truly transforms the lives and businesses of the people and communities we serve throughout Uganda.

Conclusion

The financial achievements of 2024 represent more than just numbers—they reflect the resilience, adaptability, and strategic clarity of the entire **dfcu** Group. We have emerged from a period of transition not only stronger but also more aligned, energized, and focused on our purpose of Transforming Lives and Businesses in Uganda.

I am deeply grateful to our shareholders, customers, partners, and the Board for their continued trust and support. I also commend the entire **dfcu** team—especially our finance and risk professionals—for their commitment to excellence and stewardship during this transformative year.

Together, we are building a purpose-driven, forward-looking institution—one that is fired up and ready to shape the future of finance in Uganda.

The People Who Lead Us

dfcu Bank Executive Commitee

Charles Mudiwa

Managing Director/ Chief Executive Officer

Qualifications:
BA Econ, PGD Leadership & Change Management, Banking Certificate. AMP and Certificate in Digital Transformation & Enterprise Leadership

Kate Kiiza

Executive Director and Ag. Chief, Corporate & Institutional Banking

Qualifications:
BA Econ, CPA, FCCA.

Annette Kiconco

Chief Retail Banking Officer

Qualifications:
BSc in Math & Econ, LIBF CCACS.

Maryann Wanjiku Michuki

Chief Business Solutions & Marketing Officer

Qualifications:
Chartered Marketer, B. Bus & Comm.

Margaret Karume

Chief Credit Officer

Qualifications:
GEMD, BSc in IBA from USIU Africa, a Diploma in CRM from the IFS (UK), and is an Associate of KIB.

Musa Musazi

Chief Technology, Digital & Operations Officer

Qualifications:
BSc Elec Eng, MBA, PMP.

Hope L. Nakhayenze

Chief Risk Officer

Qualifications:
B.Sc. Civil Eng, FCCA, CTA.

Simon Peter Kiwanuka

Chief Compliance Officer

Qualifications:
BA Econ, MBA, CAMS.

The People Who Lead Us

dfcu Bank Executive Commitee

Grace Buwooza

Chief Internal Audit Officer

Qualifications:
CPA, CIA, CGEIT, CAE.

Muhammad K. Ssenoga

Ag. Chief Legal Officer & Company Secretary

Qualifications:
LLB, PGDip (LDC)

Fatuma Namatovu

Ag. Chief People & Culture Officer

Qualifications:
M.Sc. (HRM), Cert (HRM).

Rebecca Birungi

Ag. Chief Financial Officer

Qualifications:
B.Com, Msc FSM, CPA, FCCA.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MADE POSSIBLE
Let's make your dream house your real home at the best rates.
17% Interest per annum
Up to 2 Months repayment holiday
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www.dfcugroup.com

03 Performance on Strategic Pillars

RETAIL BANKING

Driving Financial Inclusion and promoting Economic Growth

At the heart of our mission is the goal of ***Transforming Lives and Businesses in Uganda****. This commitment is ingrained in our identity, guiding every interaction we have with our customers as we explore how we can make a positive impact on their lives and enterprises.*

Annette Kiconco
Chief Retail Banking Officer

In line with our promise of ***Going Further, Together*** with our customers, the retail banking division has accelerated its efforts to serve various segments, including personal customers, high net-worth individuals, enterprises, and commercial banking clients.

During the year in review, our primary focus was on syncing our operations with the refreshed group-wide strategy, which emphasizes a sectorized approach. We implemented the banking ecosystems model, working closely with corporate banking to offer comprehensive financial services tailored to corporate clients and extending these services to their employees, suppliers and distributors. This targeted sectorized strategy allows us to focus on specific customer needs rather than employing a broad-based method, enhancing the overall client experience and ensuring that we meet the unique requirements of each segment effectively.

What sets us apart

At **dfcu**, one of our standout strengths is our strong heritage. With 60 years of unwavering service to this nation, our history speaks volumes about our reliability and commitment. Another important aspect of our service offering is our dedication to clarity and the passion we bring to delivering exceptional service to all customers, regardless of their segment. In the year, we recorded an impressive Customer Experience (CX) score of 51, an improvement from 21 last year, underscoring our unwavering commitment to exceeding customers' expectations.

At the heart of our mission is the goal of Transforming Lives and Businesses in Uganda. This commitment is ingrained in our identity, guiding every interaction we have with our customers as we explore how we can make a positive impact on their lives and enterprises. Our promise is straightforward: when you walk into **dfcu** or connect with us, you can expect to receive the precise services that meet your needs. We strive to ensure that every customer experience is personalized and aligned with our mission to drive meaningful change in our communities.

Furthermore, we differentiate ourselves through our diverse range of products and services. We focus on providing tailored and unique solutions that cater specifically to each customer's needs and preferences. This approach ensures that we meet the individual requirements of every client, reinforcing our commitment to client satisfaction, inclusivity and Going Further, Together with them.

Performance highlights for the year

From a financial perspective, we achieved remarkable growth across all three business units. Our loan book expanded by 22% compared to 2023, and deposits in the retail bank increased by 19%. Notably, personal banking revenues surged by 5%, primarily driven by non-funded income generated from transactions and other off-balance-sheet revenue streams.

Moreover, we registered a marked increase in the utilization of digital channels, with adoption rising from 28% in 2023 to 72% in 2024. This uptick in digital engagement reflects our successful initiatives in promoting quick banking solutions, ATMs, and agency banking, which have made banking services more accessible and convenient for our customers. In the SME segment, our loan book grew by 43%, while commercial banking experienced an impressive loan book growth of 55%.

On the non-financial side, we made significant progress in enhancing our human capital, successfully attracting external talent while also promoting high-performing employees within the organization. This approach has optimized our workforce's skill set and included intensive training and mentorship programs, ensuring that the retail bank is fully capacitated to drive sustained future growth and adapt to the evolving financial landscape.

22%
Our loan book expanded in 2024

19%
Increase in Retail Banking Deposits

72%
Increase in Digital channels utilization

Notable innovations in the year

Omni-channel account opening

Customers can now open an account online without visiting a branch.

Agents Float Liquidation

Agents can liquidate and access funds without an in-branch visit.

Cardless ATM withdrawals

Customers can transact at ATMs without using a physical card.

Expanded agency network

To expand our market reach, we onboarded 1,287 additional agents in the year under review. We currently have about 2,252 agents who provide cash deposits, cash withdrawals, utility payments, and float liquidation. We aim to double our agents to 5,000 by the end of 2025.

CDM Deployment

We successfully deployed 5 Cash Deposit Machines at our Kyadondo, Owino, Kikuubo, Nakivubo and Entebbe Road branches, and plan to roll out an additional 20 machines in 2025, further enhancing convenience and accessibility for our customers.

Implementing a sectorized approach

We have identified significant opportunities by strategically mapping out local potential across our 55 branches nationwide. By adopting a sectorized approach, we can more effectively focus on the unique opportunities present in different regions. For instance, in the Northern region, we have identified the grain and seed markets as a key opportunity. This area is known for its agricultural activities, and we plan to collaborate with local farmers and suppliers to enhance our offerings and support their growth.

In the Western region, where dairy farming is a major economic driver, we are looking at expanding our services tailored to dairy farmers. This includes financing options for dairy equipment and educational programs on best practices in dairy farming to help increase productivity. Meanwhile, in Central Uganda, the coffee trade plays a significant role in the local economy. Our work involves working closely with coffee producers to provide financial solutions that help them scale their operations, improve quality, and reach broader markets.

By mapping out these specific opportunities, we can direct our branches to align with the economic activities in their respective areas, ensuring that our services effectively meet the needs of local businesses and communities. This focused approach not only enhances our market presence but also supports the economic development of the regions we serve.

Enhancing capacity of women entrepreneurs and Saccos

As **dfcu**, we are proud to be recognized as a bank that champions women in business. Our commitment to empowering women entrepreneurs includes providing access to critical resources such as information, networking opportunities, capacity building, and finance.

In the past year, we successfully reached and impacted 55,000 women, including 10 who participated in a benchmarking program in Nairobi, where they had the opportunity to learn from, network with, and exchange ideas with established businesswomen. Throughout the year, we conducted approximately 68 regional training sessions, benefiting over 3,200 women through in-person capacity building sessions, while another 200 participated in our virtual sessions. This extensive outreach reflects our dedication to fostering women's entrepreneurship and professional development.

In addition to our initiatives for women, we have strong offerings for investment clubs and savings and credit cooperatives (saccos). We have launched an extensive program, in collaboration with an external partner, focusing on training and capacity building specifically for these groups. Our investment plan app, which has received international recognition for its quality and effectiveness, plays a pivotal role in this effort. The app enables users to save, pay, and effectively manage their investment plan accounts.

In the past year, we saw a significant increase in the number of investment clubs and saccos partnering with us, growing from 20,136 to 26,313. This growth demonstrates our dedication to providing meaningful support and innovative solutions to our partners. We remain committed to promoting financial inclusivity and empowerment for all.

Serving the young and digital natives

Uganda has a predominantly youthful population, with nearly 78% categorized as youth. This demographic is notably receptive to digital solutions, highlighting a significant opportunity for businesses. Addressing the needs and preferences of this audience is essential.

Engaging with this large youth population means prioritizing relevance and truly understanding their desires—often referred to as the voice of the customer. Many young customers prefer not to visit banks and wait in long lines; they are inclined towards self-service options that grant them greater control over their banking experience. Therefore, the focus is on enabling self-service capabilities that empower users and attract a substantial portion of this demographic.

By leveraging innovative digital tools and platforms, we can cater to their preferences, ensuring convenience and accessibility in banking. This approach not only meets the immediate needs of the youth but also positions **dfcu** for sustained growth and engagement with this pivotal segment of the population as we continue to go further together with them.

Looking ahead

Our mission is to be the retail bank of choice for customers in Uganda. We aim to achieve this by enhancing digital adoption, improving customer experience, and providing exceptional customer value. Our goal is to deliver tailored value and experiences, all while integrating digital solutions for each and every one of our customers. We aspire to be the go-to digital bank, where innovative digital offerings meet superior customer service and meaningful value.

Ultimately, our vision is to establish ourselves as the digital bank of choice for Ugandans, where innovative technology meets exceptional customer service, thereby creating lasting value for our customers and fostering financial inclusion across the nation.

As part of this commitment, we plan to open two new branches in Namanve and Fort Portal, while relocating our branches in Ibanda and Pallisa to further improve accessibility and service quality.


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Up to
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CORPORATE & INSTITUTIONAL BANKING

Strategic Execution and Sector Specialization

We are steadfast in our focus on strengthening client relationships, optimizing our trade finance processes, and leveraging the enhanced capabilities of our digital platforms to deliver superior value. Our strategic aspiration remains to become the leading CIB bank in Uganda, recognized for our sector expertise and client-centric approach.

Kate K. Kiiza
Executive Director and Ag. Chief Corporate & Institutional Banking

In 2024, **dfcu** Bank continued to execute its sector specialization strategy within the Corporate & Institutional Banking (CIB) segment, reinforcing its role as a trusted financial partner in Uganda's priority growth sectors. The model enabled us to deepen our market presence, particularly in agribusiness, manufacturing, trade, education, health, and services. It also facilitated better alignment between our offerings and client needs, enabling the provision of tailor-made financing and advisory solutions.

Although there was no significant increase in our customer base due to an internal customer migration process, we undertook a deliberate rationalization of our corporate client portfolio, ensuring that the retained clients met our strategic criteria. This exercise strengthened portfolio quality and sharpened our focus on delivering value to clients best aligned with our expertise and long-term vision.

Our unique value proposition as a truly local sector-led bank enables us to offer customized financial solutions informed by deep industry knowledge and a strong regional presence. We differentiate ourselves through a proactive and standardized relationship management framework, continuous employee training, and ongoing investments in technology. In 2024, we upgraded our Quick Connect online banking platform, with full deployment scheduled ahead of the second half of 2025. These improvements are intended to create a seamless, secure, and personalized client experience.

Relationship Management and Client Engagement

We continued to embed the Client Service Teams (CST) model across our corporate banking portfolio. This cross-functional approach ensures 360-degree support for client relationships, improving coverage, responsiveness, and solution delivery. In 2024, we further refined this relationship management model by standardizing client engagement practices and enhancing the quality and frequency of customer visits.

These enhancements yielded measurable improvements in client satisfaction, as evidenced by positive results from the 2024 CIB Customer Satisfaction Survey. As we institutionalize these practices, we expect continued gains in customer retention, cross-sell opportunities, and deeper long-term relationships in 2025 and beyond.

Innovation and Digitization

Digital transformation remains central to enhancing the customer experience in CIB. In year under review, we made significant progress in upgrading our digital channels, including the near-complete overhaul of the Quick Connect platform to enable faster, safer, and more user-friendly transactions for our business clients.

Alongside technological enhancements, we invested in building internal capacity by regularly training staff to meet the evolving needs of our clients. Our journey towards digitalization is focused not just on systems but also on streamlining internal processes, equipping teams, and ensuring that customers receive a consistent, high-quality experience across all touchpoints.

Risks and Market Dynamics

In 2024, the CIB division operated in an increasingly competitive and evolving market environment. Key challenges included:

- Staff turnover during a reorganization period, which caused temporary disruptions. However, 80% of vacant roles were filled by the end of Q1 2025.
- Intensifying competition for deposits, driven by rising government domestic borrowing, which elevated the cost of funds and pressured margins.
- The emergence of telecoms and fintechs, offering attractive loans and savings products, creating pricing pressures and accelerating customer churn.
- The removal of early loan repayment fees, which made it easier for clients to refinance with other institutions.

In anticipation of potential uncertainty ahead of the 2026 national elections, we preloaded key performance initiatives and are proactively managing delivery timelines. We are also enhancing team capabilities through targeted training, coaching, and mentorship and mitigating credit risk through enhanced assessment frameworks.
Efforts to improve the employee value proposition — through a more engaging work environment and improved job satisfaction — are expected to further stabilize and strengthen the team in the coming year.

Strategic Partnerships and External Collaboration

We continued to pursue strategic partnerships that aligned with our commitment to financial inclusion and gender equity. Notably, in 2024, we partnered with MTN Uganda on a Women in Business initiative designed to close the gender financing gap by extending affordable financial solutions to underserved women entrepreneurs. This partnership — alongside our work in facilitating government remittances — reinforced our role as a key player in the national development ecosystem.

Driving Value for Stakeholders

At the heart of our approach is a deep commitment to our customers, who drive the growth and sustainability of our business. Our sector specialization strategy is continuously refined to respond to evolving market needs and allows us to design bespoke products and advisory services aligned with the unique challenges and opportunities within each sector and region.
We are committed to enhancing stakeholder value through innovation, customer-centricity, and sector leadership. By focusing on long-term partnerships, customized financial solutions, and responsive service delivery, we are positioning dfcu Bank's CIB division as a partner of choice for Uganda's leading enterprises and institutions.

Financial Highlights

The Corporate and Institutional Banking division demonstrated a significant turnaround in financial performance in 2024. While the corporate customer base was refined to 386 accounts following a strategic reclassification, this focus on core corporate relationships contributed to a robust net business profit of UGX 32 billion, a substantial improvement from the loss recorded in the previous year. Notably, asset quality saw marked progress, with the Non-Performing Asset (NPA) ratio decreasing from 12.8% to 7.5% and the credit loss ratio reducing significantly from 6.8% to 0.9%. This underscores the success of our enhanced credit risk management practices and improved portfolio quality.

The lending book experienced a slight decline primarily due to the customer reclassification exercise. Deposits in the corporate segment decreased by 4% amidst tight market liquidity conditions, leading to a marginal increase in the cost of funds to 5%.

2025 Strategic Priorities

In 2025 and beyond, our strategic priorities will continue to be shaped by our core purpose: to transform lives and businesses in Uganda.
We will continue to build on our sector specialization model, investing in deepening our ecosystem understanding and tailoring products that solve real client challenges in each sector.

A key focus area will be the optimization of trade finance processes, enabling quicker turnaround times and improved competitiveness in a space increasingly shaped by speed and customer convenience.
Our digital transformation agenda, including the deployment of the upgraded Quick Connect platform, will enhance operational efficiency and enable more seamless, secure, and customized client experiences.

We are placing a premium on relationship quality and consistency, emphasizing both physical and remote engagements to ensure we stay close to client needs.

Internally, we remain committed to upskilling our teams and embedding a culture of continuous learning and customer-centric innovation to meet the dynamic expectations of our clients.
With a clear roadmap and a solid foundation, we are confident that our focused strategy and unwavering commitment will position **dfcu**'s CIB division for sustained growth and market leadership.

Looking Forward

The future of **dfcu**'s Corporate and Institutional Banking division is anchored in a deep commitment to our chosen sectors and the success of our clients. Over the next one to three years, we envision significant growth driven by our sector-specific marketing strategies, a deeper understanding of client ecosystems, and the cultivation of strategic partnerships.

CREDIT

Transforming the Credit Portfolio is our Primary Goal

***dfcu** has also harnessed technology to better serve customers. The journey toward fully automating the credit process, which began in 2023, has continued, with most credit functions—including origination, analysis, underwriting, control, recoveries, and collections—now rationalized for efficiency.*

Margaret Karume
Chief Credit Officer

In 2024, **dfcu**'s Credit achieved significant success by successfully turning around the Bank's credit portfolio, significantly reducing the Non-Performing Loan (NPL) ratio from 9.5% at the beginning of the year to close at an impressive 4.4%. This positive development resulted from several strategic measures implemented to enhance the overall health of the loan book, leading to an improvement in the credit portfolio's regulatory rating from marginal to satisfactory.

One of the main focus areas during the year was aligning the credit function with the Bank's 'Fired Up' strategy. This involved building specific credit skills tailored to various sectors, utilizing technology for improved operational efficiency and automation, and fostering a more customer-centric approach within the organization. The Bank also established robust initiatives aimed at further strengthening its lending business, with plans to expand the loan book and increase non-funded income.

Increased demand for credit due to favorable market conditions

In the year, the Ugandan economy demonstrated strong performance, driven by a notable increase in credit demand across various sectors, including manufacturing, agriculture, trade, business, and households. This uptick was partially the result of monetary policy adjustments, with the Bank of Uganda reducing its key interest rate in response to falling inflation.

The lower lending rates, coupled with solid capital adequacy ratios, facilitated more lending from the Ugandan banking sector to individuals, households, and businesses. Additionally, there was a focus on backward integration, which stimulated lending to Small and Medium Enterprises (SMEs) within the manufacturing value chain.

The abolition of transfer fees further reduced switching costs for loan facilities, encouraging borrowers to pursue the most favorable offers available in the market.

Another significant trend was the surge in demand for digital banking, characterized by the increased uptake of mobile loans. These positive market developments were reflected in **dfcu** Bank's loan book, which experienced a substantial rise in lending across personal, household, agriculture, and construction sectors.

Throughout 2024, the Bank disbursed a total of Ush. 480 billion in loans, with 56% allocated to individuals and households and the remainder directed to enterprises. The year closed with a robust pipeline of deals in the targeted sectors, indicating a strong outlook for continued growth.

Key performance highlights for 2024

- **Healthier credit portfolio:** Reduction of non-performing ratio from 9.5% in 2023 to 4.4% in 2024.
- **Enhanced loan collection/recovery activities:** Non-Performing Accounts (NPAs) and the size of the Portfolio-at-Risk significantly reduced during the year.
- **Review of credit policies:** Identified gaps that led to a previously challenged loan book while simplifying, standardizing, and automating processes to achieve a leaner credit process, enhanced efficiency, and elimination of duplication of processes.
- **Enhanced credit asset quality:** Deliberate strategy to onboard only quality assets as loan securities.
- **Improved loan underwriting processes:** Minimized default risks, thus improving the overall health of the loan portfolio.
- **High regulatory compliance rate:** The Bank closed the year with no significant credit audit issues, achieving 100% regulatory compliance from a credit perspective.
- **Automation of credit process:** This enabled seamless loan review processes, resulting in the reduction of turnaround times (TAT) from 3 days to 26 hours for retail banking and 3-5 days from 14 days for commercial/enterprise banking.
- **Product innovation:** Tailored credit solutions for customers and product review saw the introduction of a new product for distributors and growth in the Mobiloan (digital banking) offering.
- **Staff upskilling:** Training of staff to align credit competencies with the new Bank strategy focused on sector-specialization. In addition, staff were trained in data protection to ensure customer information is safe.

Robust initiatives to boost credit portfolio health bearing fruit

The year concluded with a significantly healthier credit portfolio, driven by effective measures aimed at enhancing asset quality, managing problematic loan accounts, and reducing the percentage of the loan book exposed to default risk.

By concentrating on key accounts within the non-performing stock, the Bank successfully reduced the non-performing ratio (NPR) to 4.4%. This achievement is particularly impressive given the muted growth of the loan portfolio. We have also strengthened our underwriting processes to minimize defaults by ensuring that only quality assets are added to the loan book. Most of the focus sectors—such as manufacturing, education, health, households, financial services, ICT, infrastructure, and energy—have shown notable improvements in terms of portfolio-at-risk and non-performing assets (NPAs).

Looking ahead, the Bank will continue to reinforce these successful strategies while also pursuing opportunities to grow non-funded income, ultimately aiming to build a more profitable book.

A customer-centric approach driving innovation

The Bank has prioritized innovative customer satisfaction strategies to remain competitive in a market where customers are increasingly multi-banked, knowledgeable, and tech-savvy. This awareness allows them to easily compare products offered by different competitors.

By fostering closer engagement with customers, the credit team has gained valuable insights into their needs and business cycles, crucial for building long-term relationships. Regular visits by the credit team have resulted in improved loan repayment behaviors, supporting overall efforts to enhance credit recovery.

These insights have also enabled the Bank to create new products and enhance existing ones to meet evolving customer demands. For example, the introduction of distributor financing product during the year has addressed the cash flow needs of distributors during peak seasons. Additionally, financial literacy training initiatives provided by the Bank have benefited many customers.

Focus on improved customer experiences

The Bank has also harnessed technology to better serve customers. The journey toward fully automating the credit process, which began in 2023, has continued, with most credit functions—including origination, analysis, underwriting, control, recoveries, and collections—now rationalized for efficiency. The complete end-to-end automation is expected to be finalized by 2026.

This technological advancement has resulted in greater efficiency and shorter turnaround times (TAT), contributing to a better overall customer experience.

However, with the simplification of some processes through technology, some employees have been redeployed to different parts of the organization, offering them opportunities for career growth.

Data protection

As businesses become more digitalized, they also face increased cybersecurity risks. To protect customer data and minimize threats such as cyber fraud, measures like end-to-end encryption and restricted internal access to sensitive information were implemented to comply with the Uganda Data Protection and Privacy Act. Staff also received training on data protection measures.

Talent management

Talent management and development remain critical priorities for the Bank. The company has focused on upskilling the credit department staff in line with a sector-driven strategy to enhance credit skills specific to different sectors. Additionally, there has been a restructuring of the credit function, particularly in loan approvals, so that each approving officer specializes in a specific sector.

Focus on Sustainable lending

Sustainability is also a key focus, with Environmental, Social, and Governance (ESG) considerations being integrated into the credit analysis process, ensuring that the Bank only lends to businesses that do not harm the environment. ESG risk analysts within the credit department assess client risks and develop appropriate mitigation strategies.

Future outlook

Looking ahead, the Bank plans to continue creating a resilient and productive loan portfolio while improving efficiency through the full automation of credit processes, aiming to reduce turnaround times from loan applications to disbursement. The goal remains to support customers in achieving their financial objectives together.


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Transforming Business Solutions and Marketing to a Value Driver

*As part of our '**Fired-Up**' strategy, we transformed the Business Solutions and Marketing function into a value-driving unit, integrating marketing, corporate affairs, product management, and new revenue streams under one accountable structure.*

Maryann Wanjiku Michuki
Chief Business Solutions & Marketing Officer

dfcu's 60-year journey has been defined by resilience, innovation, and an unwavering commitment to its customers. In 2024, we reinforced this commitment with a brand refresh underpinned by our new promise – "Going Further, Together." This ethos defines everything we do, ensuring that our products, campaigns, and customer and stakeholder engagements are aligned to a shared vision of progress and long-term partnerships.

As part of our '**Fired-Up**' strategy, we transformed the Business Solutions and Marketing function into a value-driving unit, integrating marketing, corporate affairs, product management, and new revenue streams under one accountable structure.

By bringing demand creation and product management together, we ensure a seamless feedback loop that allows us to refine our offerings and deliver solutions that truly meet customer needs.

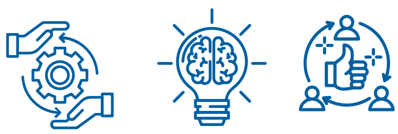
A Unified Approach to Demand Creation and Product Management

Recognizing that marketing fuels demand while product development and management fulfill it, we integrated these functions to create a more agile and responsive team.

This strategic realignment has enhanced accountability and efficiency, allowing us to:

- Rapidly adjust go-to-market strategies based on customer feedback and product performance.
- Align product innovation with real-time market insights, ensuring relevance and value.
- Optimize product uptake by bridging the gap between demand generation and supply.

*By combining demand creation and supply delivery under one mandate, we have strengthened our ability to **drive growth, innovation, and customer satisfaction.***



Aligning Marketing with the *'Fired-Up'* Strategy

The expansion of the Business Solutions and Marketing function supports **dfcu**'s overarching strategic pillars:

1. Sector Specialization & Customer-Centricity – Structuring marketing and product teams to support Retail Banking, Corporate & Institutional Banking, and Brand Management.
2. Profitability & Scale – Ensuring our portfolio is lean, relevant, and aligned to growth objectives.
3. New Revenue Streams & Disruptive Innovation – Anchoring **dfcu**'s ambition to expand capabilities and enter new frontiers.
4. Brand Strength & Market Positioning—We reinforce **dfcu**'s presence and ensure that our marketing efforts drive brand awareness, consideration, and long-term equity.

To deliver on these objectives, the function has been structured into six key pillars:

1. Marketing: *Building a Brand that Goes Further Together*

Our marketing team is responsible for strengthening **dfcu**'s brand equity across customer segments and stakeholders, ensuring that our brand promise — "Going Further, Together"—is embedded across all our touchpoints.

Key focus areas in 2024 included:

Brand Repositioning & Awareness: The successful refresh of **dfcu**'s visual identity, reinforcing our position in the market while maintaining our heritage.

Brand Campaigns: A structured rollout of marketing initiatives that align with customer aspirations and showcase how we support their financial journeys.

Performance Tracking: Continuous measurement of brand positioning, consideration, and utilization, ensuring that marketing efforts translate into commercial value.

2. Corporate Affairs & Sustainability: *Strategic Stakeholder Engagement*

This unit plays a pivotal role in enhancing the Bank's reputation, strengthening stakeholder relationships, reinforcing its commitment to sustainable growth in Uganda, and ensuring that our narrative remains consistent with our corporate mission. 2024 highlights included:

- Marking six decades of Transforming Lives and Businesses in Uganda, **dfcu** Bank celebrated its 60th anniversary through a series of high-impact initiatives. These included the staff-led '60 Acts of Kindness', Corporate Social Initiatives (CSI) campaign across all 54 branches, customer appreciation programs, stakeholder engagements, and media campaigns that showcased the Bank's legacy, commitment to Uganda's development, achievements, and future ambitions.
- Growing **dfcu**'s share of voice in the financial sector, ensuring our media presence aligns with the eight sectors we specialize in.
- Enhancing PR impact through targeted messaging, shifting from general visibility to a more strategic approach that drives brand equity and trust.
- Recognizing the economic potential of the Ugandan diaspora, **dfcu** intensified its engagement efforts by hosting our first diaspora event. These efforts reinforced the Bank's commitment to serving Ugandans, both at home and abroad. Engagements with the diasporan community continue to shape the Bank's narrative, fostering trust and driving meaningful stakeholder engagement and consideration.

3. Retail Products: *Driving Product Relevance and Portfolio Evolution*

- The focus in 2024 was product rationalization—assessing what works, refining high-potential offerings, and discontinuing less relevant products.
- At a more strategic and medium-term level, the unit collaborated with our business segments to design products informed by focus groups, market research, and customer behavior analytics.

Key initiatives included:

- Reviewed product portfolio to confirm that our products still meet the needs of our customers, are competitive, and identify the opportunity to rationalize the product suite into a leaner set, especially where there is duplication in terms of target client, features, and functionality.
- As a result, six products were enhanced to add value to our customers and differentiate the products from competitor offerings, while three products were exited.
- In the year, we also developed new products in line with the voice of the customer, growth, and penetration. These included the high-net-worth segment proposition, SME Mobi Loan, and Platinum debit card.
- Notable workstreams included the optimization of digital lending, which enhanced Mobi Loan to allow more frequent borrowing, capturing untapped demand and restructuring of Insurance Premium Financing, ensuring better alignment with customer needs.

4. Cards & Payments: *Enabling Seamless Transactions*

The Cards and Payments function is dedicated to facilitating seamless transactions and enhancing customer satisfaction through efficient transactional solutions.

Key areas of focus in 2024 included;

- Upgrading our Debit and Credit card offering, significantly improving transaction success rates, particularly for POS and online payments, ensuring convenience and security for our customers.
- Enhancing customer activation on the **mobile banking platform**, which now takes less than **15 minutes**. This has significantly improved customer experience and enhanced our digital penetration efforts.

5. Ecosystems & Partnerships: *Unlocking New Revenue Streams*

2024 was a foundation-building year as we solidified key partnerships for future commercialization. Key developments included:

- The GROW Women in Business Project, a collaboration funded by the World Bank, positioning **dfcu** as a leader in financial inclusion.
- Strategic alliances with telecoms and development partners to expand access to financial solutions.

6. Bancassurance: *Strengthening Insurance Offerings*

We continued to expand our bancassurance portfolio focusing on:

- Individual Life Insurance, which remains the dominant product.
- Enhancing General Insurance uptake, ensuring we meet the diverse needs of our customers.

Leveraging Digital Marketing & AI for Smarter Engagement

Recognizing the potential of digital platforms, we accelerated our investment in AI-driven analytics and digital marketing to enhance customer interactions.

- **Social Media as a Growth Engine:** Used for brand awareness, commercial campaigns, and customer support, amplifying our market reach.
- **Website Overhaul & Digital Asset Optimization:** Ensuring a seamless and consistent brand experience across platforms.
- **AI & Data Analytics:** Harnessing insights to personalize offerings and improve customer engagement.

Marketing ROI: Delivering Measurable Impact

Marketing is no longer just about visibility—it is a measurable growth driver. In 2024, 45% of our marketing scorecard was directly tied to revenue generation.

We tracked success through:

- **Customer Acquisition & Portfolio Management:** Managing the full customer lifecycle from product design to demand generation.
- **Brand Performance Metrics:** Evaluating our consideration rate, brand positioning, and market share of voice.
- **PR & Advertising Effectiveness:** Monthly assessments to align with our brand strategy.

Future Outlook: Sustaining Growth Beyond 2025

While 2024 marked the baseline for transformation, through innovation, accountability, and strategic focus, we will continue to drive growth and create meaningful impact in the years to come.

In 2025 and beyond, we will continue to "Go Further, Together" with our customers by:

- Deepening customer relationships by offering more products per customer.
- Expanding transactional capabilities and optimizing payment platforms to ensure a seamless digital and physical banking experience.
- Driving profitable growth: Building new revenue streams and enhancing operational efficiency.
- Strengthening brand equity: Continuously enhancing our brand and customer perception.
- Expanding product portfolios: Enhancing product offerings to meet diverse customer needs.
- Embracing digital innovation: Continue to enhance digital marketing, analytics, and the use of AI to better serve our customers.
- Expanding Bancassurance: Growing our general insurance product portfolio.

At **dfcu**, we are not just a financial institution—we are a partner committed to Going Further, Together with our customers, stakeholders, and communities.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GLOBAL FINANCIAL MARKETS

Facilitating Trade by Providing Essential Access

We are continually analyzing market trends, enhancing our product offerings, and strengthening our marketing efforts to capture more market share. With our persistent effort and unwavering commitment to excellence, we are confident that reaching the pinnacle of our industry is not only realistic but achievable.

Julius Kateera
Head Global and Financial Markets

Throughout the year in review, we maintained our position as a leading intermediation and risk management house in Uganda, delivering solutions in foreign exchange, fixed income, money markets, and derivatives. In line with our brand promise of Going Further, Together, we have continued to facilitate trade by providing essential access to both local and foreign currencies.

In the fixed-income market, our role in bond trading has been vital for various stakeholders, including pension funds, fund managers, private equity funds, and individual investors. The bank was an active participant in the interbank money market, ensuring that we provided liquidity to banks where required, in turn supporting clients in some hard-to-reach and underserved markets. Additionally, through our derivatives offerings, we provided risk management instruments to clients, providing certainty and protection from adverse market movements.

In the year, we also strengthened our research function through which we offer comprehensive insights on a wide array of events, encompassing local, regional, continental, and global events. Our objective is to assist our clients in understanding the potential impacts of these events on their businesses. For example, geopolitical developments such as conflicts in Ukraine or Gaza, elections in the United States, India, and South Africa, as well as unrest in Kenya and Sudan, can affect various aspects of life and business in Uganda.

We adopt a holistic approach to connect seemingly disparate events, enabling our clients to see how developments in one part of the world may affect them. By highlighting these connections, we empower our clients to navigate the complexity of an interconnected world and make informed decisions.

Milestones in 2024

Ranked 5th in the industry, the Global Financial Markets function achieved remarkable financial performance in the past year, registering a 40% increase in net trading income and a 29% growth in our customer active base.

On the non-financial side, we launched several initiatives aimed at fostering team growth and development to better serve our clients. Our emphasis has been on training, motivation, recognition, and retention in a highly competitive landscape.

40% increase in net trading income

29% growth in customer active base

Milestones in 2024 *(continued)*

We invest in training programs tailored to enhance both technical skills, such as fundamental and technical analysis, derivatives trading, counterparty risk management, as well as 'soft' (people) skills, as a way of boosting employee productivity.

Soft skills include managing self, managing a team, leadership essentials, communicating with impact, building a winning culture, managing young people, among others.

From an operational perspective, and in line with our refreshed strategic direction that emphasizes sector-led initiatives, we made it a priority to align our dealers with the eight focus sectors.

This strategic alignment aims to cultivate specialist teams that possess a deep understanding of each sector. By doing so, we strive to enhance our expertise and deliver more tailored solutions that meet the specific needs of our clients within these focus areas.

Our value differentiator

The core of our philosophy is problem-solving; when we meet with clients, we aim to understand their unique challenges and address them with effective solutions. To inform our strategies and decisions, we leverage advanced data analytics tools that help us identify trends, forecast needs, and measure the effectiveness of our interventions. These approaches are essential for building a robust customer base and fostering long-term, mutually beneficial relationships.

Customer interaction mechanisms

While our customers have the convenience of reaching us through various channels—such as mobile phones, computers, social media platforms, and dedicated contact centers—a significant number still express a strong preference for face-to-face interactions. This preference underscores the importance of personal connection and trust in financial services.

To cater to this need, we have maintained physical engagement points, allowing us to personally connect with our clients.

Through these in-person interactions, we offer insights and updates on a wide range of topics, including global financial trends, regional economic developments, and local market conditions. This approach not only enhances customer satisfaction but also fosters deeper relationships, enabling us to better understand and address the unique needs of our clients. By blending digital convenience with personal service, we strive to provide a holistic banking experience that resonates with all our customers.

Promising sectors to watch

As Uganda's economy continues to grow with promising prospects, several sectors are set to play a crucial role. Agriculture, particularly agro-processing, remains at the forefront, alongside the infrastructure and energy sectors, which include oil and gas.

With Uganda poised to produce between 80-100,000 barrels of oil per day in the coming years, these areas present significant opportunities for growth. The public sector also remains a key focus, given the government's role in socio-economic transformation through initiatives like the Parish Development Model.

Financial Technology (Fintech) firms are also an interesting opportunity given the level of innovation and financial inclusion we have seen in recent years.

Looking ahead: *What does the future look like?*

Currently, we are proud to be positioned among the top five financial markets businesses in our industry, having made significant strides over the past few years. Our short-term objective is to be among the top three over the next two years, with the ambitious goal of achieving the number one position within the next five years.

While this goal is ambitious, especially as we compete against well-established and formidable competitors, we have confidence in our talented and dedicated team. By implementing a clear and effective strategy that emphasizes innovation and customer satisfaction, we believe we can successfully navigate the competitive landscape while going further, together with our clients.

TECHNOLOGY & DIGITAL OPERATIONS

Driving Transformation Through Data and Technology

We are committed to safeguarding customer data and protection against evolving cyber threats. To this end, we have implemented continuous training and awareness programs for employees and customers, and have invested in advanced cybersecurity tools and monitoring systems.

Musa Musazi
Chief Technology, Digital & Operations Officer

In 2024, **dfcu** made remarkable strides in its journey towards digital and data-driven transformation, while also nurturing an innovation-driven culture. Building on the foundational efforts of the prior year, the organization concentrated on stabilizing its systems, executing strategic projects, and empowering its workforce to embrace emerging technologies. This dedication to innovation and efficiency is central to the "**Fired-Up**" strategy, which aims to deliver exceptional value for both customers and stakeholders, Going Further, Together with them.

Key Achievements in 2024:

System Stability and Enhanced Reliability

System reliability remained a top priority in 2024, with key investments in hardware, software, and vendor accountability driving higher transaction success rates and system availability.

Through robust monitoring tools and infrastructure upgrades, the Group achieved 98% system uptime, ensuring seamless banking experiences across ATMs, mobile banking, and Quick Banking platforms.

- We prioritized the stability and reliability of our core systems, resulting in significant improvements in system availability and transaction success rates.
- Through strategic investments in hardware, software, and a new card switch, coupled with enhanced vendor accountability and granular monitoring tools achieving a 98% system availability.
- This enhanced reliability ensures our customers experience seamless transactions across all channels, including ATMs, mobile banking, and quick banking.

Strengthening Workforce Capabilities

Additionally, workforce expansion and capability building were key pillars of the transformation journey. The Group augmented its internal talent while onboarding external software development houses and individual consultants to strengthen technical expertise.

We provided continuous training and upskilling opportunities for our technology and data teams, ensuring they are equipped to leverage emerging technologies.

The launch of a Graduate Training Program, which attracted nearly 5,000 applicants, underscored the Group's commitment to nurturing future-ready talent.

Driving Efficiency through Robotic Process Automation (RPA)

dfcu took bold steps in adopting Robotic Process Automation (RPA) to streamline key processes. By automating repetitive tasks, the Bank significantly improved turnaround times and accuracy, enabling faster service delivery. So far, two out of the 10 high-priority processes targeted for automation have been successfully implemented, reducing processing time from hours to mere seconds. This initiative also facilitated workforce repurposing, allowing employees to focus on more strategic tasks.

Strategic Digital Transformation Initiatives

Several strategic projects formed the back-bone of the Bank's digital transformation agenda:

- **End-to-End Credit Automation:** Following a successful proof of concept, the Bank moved into full-scale implementation. This project, slated for execution in 2025, will significantly improve credit processing turnaround times, enhance customer segmentation, and expand our credit portfolio.
- **Reconciliation Automation:** Robotic Process Automation (RPA) was deployed to optimize reconciliation processes, improving daily transaction settlements and fraud detection. This initiative has streamlined our daily reconciliation of internal and external accounts, leading to improved efficiency and reduced operational risks. The Bank mapped out additional revenue assurance processes for automation in 2025.
- **Core Banking System Upgrade:** Recognizing the need for a scalable and agile digital infrastructure, **dfcu** embarked on a core banking modernization journey. The hardware upgrade, set for completion in H1 2025, will enhance transaction efficiency, while the transition to a composable architecture will foster faster integrations and future-proof the Bank's digital ecosystem.

This upgrade will enhance end-of-day processing times and improve transaction success rates. A software upgrade will then occur to change the architecture from monolithic to composable, which will start in 2025 and into 2026. This will allow for faster internal and external connections, and ease maintenance.

This transformation will create a robust and agile platform to support future growth and innovation.

Embracing Emerging Technologies for Customer-Centric Solutions

We recognize the transformative potential of AI, Blockchain and IoT and are actively exploring use cases to enhance our products and services. In 2024, the Group integrated AI-driven capabilities into customer service, process automation, and decision-making tools, enhancing both internal efficiency and customer interactions.

We are leveraging embedded AI in off-the-shelf tools and cloud platforms, as well as developing AI-powered solutions for internal applications, such as facial recognition for account opening. For example, with Microsoft Copilot and embedded AI functionalities in enterprise software, employees gained access to smarter, data-driven insights.

We are also exploring IoT applications for agriculture, collateral monitoring, and other areas through partnerships.

A structured Responsible AI, IoT, and Blockchain Adoption Framework guided the Group's approach to emerging technologies, ensuring ethical, compliant, and value-driven implementations. This framework prioritizes:

- Customer data protection and cybersecurity
- Bias-free AI decision-making
- Sustainable and scalable blockchain applications

In all this, we are following best practices, such as GDPR, ISO 27001, and PCI DSS, to ensure responsible and secure adoption of these technologies.

Cybersecurity and Data Protection:

We are committed to safeguarding customer data and protection against evolving cyber threats.

To this end, we have implemented continuous training and awareness programs for employees and customers, and have invested in advanced cybersecurity tools and monitoring systems.

As pointed out above, we adhere to international standards, such as PCI DSS and ISO 27001, and conduct regular audits to ensure compliance and maintain certification. We also comply with the Data protection and Privacy laws and GDPR standards and are duly registered as a data handler with the Personal Data Protection Office (PDPO).

The ESSA Framework: A Culture of Continuous Improvement

The Eliminate, Simplify, Standardize, Automate (ESSA) Framework has been instrumental in reshaping operational efficiency. By eliminating unnecessary steps, standardizing processes, and introducing automation, **dfcu** has achieved:

- Faster decision-making and reduced bottlenecks
- Cost savings through renegotiated contracts and

process optimization

- A culture of innovation with employees encouraged to adopt an entrepreneurial mindset
- It has also allowed for a much more efficient use of employee time.

Data-Driven Decision Making:

- At **dfcu**, we are leveraging data analytics to enhance reporting, decision-making, and innovation.
- Our dedicated data analytics team is developing data models and decision models to improve credit risk assessment, product development, and customer segmentation.
- We are also building a robust data warehouse and ensuring data privacy and protection through compliance with GDPR and the Data Protection & Privacy Act.

Looking Ahead: 2025 and Beyond

*As **dfcu** continues to redefine banking through digital innovation, the focus for 2025 will be on:*

- **Completing the Core Banking System Upgrade:** We will finalize the hardware and software upgrades to create an agile and scalable platform for future growth.
- **Expanding automation initiatives** across more banking operations
- **Expanding AI and IoT Applications:** We will continue to explore and implement AI and IoT solutions to enhance customer experience and operational efficiency.
- **Strengthening Fintech Partnerships:** We will forge strategic partnerships with fintech companies to expand our digital offerings and reach new customer segments.
- **Embracing Cloud Expansion and Decentralized Finance:** We will position ourselves to embrace emerging trends, such as cloud expansion and decentralized finance, to foster a seamless digital banking ecosystem and remain at the forefront of the banking industry.
- **Enhancing cloud adoption and API integrations Strengthening cybersecurity resilience** through proactive risk management strategies

PEOPLE & CULTURE

A Year of People-Centred Transformation and Impact

dfcu's success is undoubtedly built on the strength of its people. As we look ahead, we remain committed to being an employer of choice by creating a diverse, and inclusive workplace where we listen, empower and grow our talent.

Fatuma Namatovu
Ag. Chief People & Culture

Overview

At **dfcu**, our people are more than employees, they are the heartbeat of our success. In 2024, we embarked on a transformative journey, deeply embedding our "Fired Up" strategy into the core of our organization. This strategic cultural shift was not just about redefining how we work; it was about reawakening passion, accountability, and performance at every level.

We set out to create an environment where every employee feels motivated, valued, and aligned with our ambitious growth trajectory. The results have been outstanding—a workforce that is not only more engaged but also more productive, innovative, and results-driven.

Our Culture:
The Engine of Our Success

dfcu's cultural transformation was built on four actionable behaviors that define how we work:

We Take Accountability by Delivering on Our Commitments.

1. **Ownership;** takes initiative, ownership of tasks, and decision-making.
2. **Results-oriented;** focuses on achieving goals and getting things done /delivering results, problem-solving.
3. **Dependable & follows through;** can be consistently relied upon to meet deadlines without needing constant reminders.
4. **Leadership;** leads by example demonstrating the desired behaviors and sets high standards for the team.

We Work & Play Together

1. **Collaboration** works together towards a common goal, engages in team projects, shares ideas & information.
2. **Participates in teambuilding activities & events** that build relationships & foster a happy work environment.
3. **Positive work environment** maintains a positive attitude, recognizes and celebrates individual and team achievements, respects diversity and inclusion.
4. **Conflict resolution** addresses disagreements constructively and seeks solutions that benefit the whole team.

We Continuously Learn to Improve Our Productivity

1. **Growth mindset;** open to learning, seeks learning opportunities, actively participates in training programs/workshops, approaches new challenges with curiosity and positivity.
2. **Feedback;** seeks feedback and uses it to identify areas of improvement.
3. **Adaptability;** quickly learns and adapts new processes, technologies.
4. **Innovative**, shares knowledge and expertise with colleagues.

We have a Shared Goal to Deliver Customer Solutions.

1. Customer focus – listens and responds to customer needs.
2. Builds customer relationships – fosters positive customer relationships through clear and open communication.
3. Provides reliable, timely, and efficient solutions that meet customer needs.
4. Continuously seeks new ways to address customer needs.

These behaviors have been reinforced through strategic initiatives, from our performance management systems to targeted employee engagement initiatives, ensuring that culture is not just spoken about, but actively lived every day.

KEY MILESTONES IN 2024

*The success of our People & Culture strategy is reflected in tangible outcomes that have propelled **dfcu** forward:*

1. **Cultural Transformation:** Achieved deep alignment between employees and our corporate vision through structured engagement, training, and leadership reinforcement.

2. **High Employee Engagement:** We recorded an 89% Employee Engagement Score, a strong testament to the positive shift in workplace experience.

3. **Talent Retention & Internal Growth:** Our regrettable attrition remained at just 4%, with an impressive 64% of vacancies filled internally, ensuring career growth within **dfcu**.

5. **Workforce Growth & Diversity: dfcu** closed 2024 with a total workforce of 1,301 employees, reflecting a diverse, inclusive, and performance-driven talent pool.

6. **Sustainability in Performance:** We introduced ESG-linked performance metrics, embedding sustainability in every employee's role.

Raising the Bar with a High Performance Culture.

At dfcu, performance is not just measured—it's rewarded. In 2024, we refined our Performance Management System, ensuring that every employee had clarity on our performance cycle, clear objectives, and a direct link to business success.

- We revamped our performance management system to drive a high-performance culture by holding people accountable for results.
- Strengthening our performance-based reward system linking excellence with recognition.
- Our enhanced leadership development programs equipped managers with the skills to drive high-performance teams.

These efforts directly contributed to dfcu's remarkable financial performance in 2024, reinforcing the connection between engaged employees and sustained business success.

Earning Employee Engagement through Listening, Connecting, Celebrating

At **dfcu**, we believe that a thriving workplace is one where employees feel heard, connected, and appreciated. In 2024, we created multiple avenues for meaningful engagement:

- **CEO Townhalls** - these monthly forums provide a space for employees and the leadership teams to engage regularly. Notably, they ensure that regular business updates and **dfcu**'s strategic direction are routinely communicated.
- **Teambuilding Activities** which strengthened collaboration, minimised silos, and ensured a unified approach to our goals.
- **Themed Team activities:** Taking advantage of seasonal events and activities such as 'Back to School' (a key period for the bank to drive demand for our education-based products and services), we drove awareness of the bank's business goals and created excitement amongst our teams nationwide. We incorporated unique dress codes and colour themes, celebrated pop-culture events like Valentine's day with bank-sponsored treats for each team, allowing our teams the space to connect outside of their work deliverables.
- **Employee Engagement Surveys:** Importantly, we enabled the receipt and passing on of communication, ideas and concerns through deliberate feedback mechanisms. Many of our improvements have been built on the back of this feedback.

The impact of these initiatives was profound—not just in boosting morale but also in enhancing overall performance and alignment with dfcu's goals.

Investing in Growth through Learning & Development

Talent is the foundation of dfcu's success. In 2024, we invested heavily in learning and development, ensuring that employees were equipped with the skills necessary for both personal and organizational growth:

- **To drive Professional Development**, we unveiled a specialized online learning platform and trained our leaders in various skills. We for instance, held media training sessions, initiated leadership training and focused on skill-enhancement courses tailored to **dfcu**'s strategic needs.
- **Sector-Specific Training:** With **dfcu**'s pivot to sector specialization, we ensured that teams, particularly in credit and business development, were trained in industry-specific expertise, enabling better decision-making and customer service.
- **Internal Mobility:** We actively prioritized internal recruitment, empowering our people to take on new challenges and career growth opportunities.

The wellbeing of our employees is paramount

A high-performing workforce is one that is healthy, balanced, and supported. In 2024, **dfcu** strengthened its Employee Assistance Programs, ensuring that well-being remained at the forefront of our People & Culture agenda:

Wellness Week: With activities such as the 10,000 Steps Challenge, health talks, and fitness sessions, we were keen to encourage our staff to prioritise physical well-being.

Health camps: Working with our health care partners, we held medical check-ups and wellness screenings, ensuring that employees had access to expert healthcare guidance.

Financial literacy and wellness training: Working in a financial institution does not take away the need to educate employees on creating and marinating sound financial habits.

We worked with well-known financial experts to equip our people with the tools to secure their financial future.

Fostering a culture of well-being allowed us to build a workplace where people can thrive, both professionally and personally.

Embedding Sustainability in People & Culture

In 2024, **dfcu** took a major step forward in integrating sustainability into its People & Culture framework. Recognizing that our people are critical drivers of ESG (Environmental, Social, and Governance) success, we introduced key initiatives that embedded sustainability into daily operations including:

- Hiring a dedicated Sustainability Manager to oversee ESG initiatives and ensure alignment with corporate strategy.
- Incorporating sustainability into performance metrics, making ESG an integral part of every employee's performance objectives.
- Encouraging community engagement, with employees actively participating in corporate social responsibility programs.
- These steps not only reinforced **dfcu**'s commitment to responsible business but also empowered employees to be champions of sustainability in their own roles and personal lives.

Through these proactive measures, dfcu emerged stronger, more agile, and better prepared for the future.

Our North Star: A People-First Future.

dfcu's success is undoubtedly built on the strength of its people. As we look ahead, we remain committed to:

- Being an employer of choice by creating a diverse, and inclusive workplace where we listen, empower and grow our talent.
- Investing in leadership training and capacity training to build a future-ready workforce and allow for succession planning.
- Embedding a culture of continuous learning, innovation and accountability.
- Coupling a high-performance culture with a consistent reward and recognition system.

Our journey is far from over—but one thing is certain: dfcu's People & Culture is Fired Up for the Future.

Looking forward

***dfcu** aspires to remain an employer of choice through deliberate and impactful initiatives to empower our people and strengthen our culture in line with the 'Fired Up' strategy.*

04 Risk Management & Control

Reflections of the Chief Risk Officer
2024 Year in Review

The interconnectivity of global financial markets necessitates heightened vigilance to systemic risks that could trigger cascading failures, particularly in the face of economic decoupling between major economies.

Hope L. Nakhayenze
Chief Risk Officer

In 2024, the global financial services industry faced an increasingly complex and interconnected risk landscape. Advancements in technology, regulatory shifts, geopolitical tensions, and heightened volatility in global markets all combined to shape the risk landscape.

Among these, the rapid evolution of Artificial Intelligence (AI) has emerged as both a transformative force and a magnifier of risk, particularly in the realm of cybersecurity. The dual-edged nature of AI defined much of the risk narrative for financial institutions in the year 2024.

The Evolving Threat Landscape

1. Geopolitical and Economic Uncertainty

Geopolitical conflicts, sanctions, and trade restrictions have led to market instability and significant operational challenges. Financial services institutions have had to navigate economic disruptions while ensuring compliance with rapidly changing regulations.

The alignment of operational resilience with geopolitical developments has never been more critical.

2. Climate Risk and Sustainability

The acceleration of climate change has brought environmental risk into sharper focus. Regulators and stakeholders alike are holding financial institutions accountable for aligning their portfolios with sustainability goals.

Climate stress testing and disclosures have become essential components of risk management frameworks.

3. Cybersecurity and the Rise of AI-Powered Threats

In 2024, the proliferation of AI-driven tools has significantly altered the threat landscape. Cyber adversaries are now employing advanced AI algorithms to breach defenses, automate phishing attacks, and exploit vulnerabilities in financial systems at an unprecedented scale. The rise of generative AI has further enabled threat actors to mimic human behaviors convincingly, making social engineering attacks harder to detect.

The year saw a rise in cyber incidents affecting financial institutions, with fraud risks primarily stemming from system migrations and the agent banking service.

Agent banking fraud remains a significant threat to the financial services sector, largely due to the inherent third-party risks associated with it and system vulnerabilities that cybercriminals exploit to inflict financial losses on banks across the industry.

While AI offers transformative potential for fraud detection, operational efficiency, and predictive analytics, it also amplifies the risks posed by malicious actors. Financial institutions are in a race to deploy robust cybersecurity measures that can match the sophistication of AI-driven threats.

Looking Ahead to 2025

As we enter 2025, the role of the Risk function will become even more pivotal in navigating emerging risks. Key areas to monitor include:

- **Advanced AI Oversight:** The Group must work closely with technology leaders to ensure the ethical and secure deployment of AI while building resilience against AI-enabled cyber threats. Monitoring the development of quantum computing and its implications for encryption will also be essential.
- **Systemic Risk and Financial Stability:** The interconnectivity of global financial markets necessitates heightened vigilance to systemic risks that could trigger cascading failures, particularly in the face of economic decoupling between major economies.
- **Evolving Regulatory Landscapes:** Anticipating regulatory changes in response to new technologies, including AI and blockchain, will remain a priority. As a Group, we must be prepared to adapt risk management strategies swiftly to meet evolving compliance requirements.
- **Talent and Risk Culture:** With AI increasingly automating decision-making processes, fostering a strong risk-aware culture and upskilling teams will be crucial to maintaining human oversight and ethical considerations.

In conclusion, 2024 has underscored the necessity for a proactive and agile approach to risk management. As the financial services industry evolves, so too must the strategies employed by CROs worldwide. In 2025, those who can effectively balance technological innovation with robust risk mitigation will lead the charge in safeguarding the resilience and trustworthiness of the global financial system.

Risk Management

At **dfcu** Group, risk is defined as the potential for losses or missed opportunities due to internal or external factors. The Group's operations expose it to a variety of financial and non-financial risks, which are described in our risk universe. To support sustainable financial performance and ensure prudent risk management, the Group has an established comprehensive Enterprise Risk Management Framework (ERMF). This framework is reviewed and approved annually by the Board of Directors and outlines the processes for identifying, measuring, monitoring, managing, controlling, and reporting on the principal risks that the Group currently faces or may encounter in the future.

Our Approach to Risk Management

We manage risk by:

- Taking a holistic, forward-looking approach to identifying potential risks.
- Evaluating threats and opportunities within our operating environment.
- Applying a consistent methodology to risk and capital management, guided by our robust Enterprise Risk Management Framework.

Reporting and Committee Structures

The Board entrusts its risk management oversight responsibilities to dedicated sub-committees, each specializing in specific aspects of risk management. The full Board is regularly updated on the Group's key risks, with these risks assessed against the defined risk appetite and established targets. The Board Risk Committee (BRC) serves as the primary sub-committee responsible for overseeing the Group's risk management framework and activities.

THREE LINES MODEL

The Group leverages the Three Lines Model, as proposed by The Institute of Internal Auditors (IIA), to achieve superior assurance over its control environment and risk management practices. This model provides a robust framework that ensures comprehensive oversight and effective risk mitigation across all levels of the organization.

01

The first line is composed of the Group's revenue-generating and client-facing functions, along with all supporting operational teams. These include the branch network and departments such as Finance, Credit, Corporate, Retail, Business Solutions and Marketing, Legal, People and Culture, Technology, Digital and Operations. Each first-line business unit is responsible for identifying its key risks, designing and implementing adequate controls to mitigate the risks, assessing the effectiveness of controls in place, and ensuring these controls adequately mitigate risks to prevent or minimize disruptions to business objectives. Furthermore, the first line is responsible for escalating risk incidents to the Internal Controls and Risk Management teams for root cause analysis, application of lessons learned across the enterprise, tracking of related losses and reporting.

As part of first-line activities, the Internal Controls function, established in 2023, has been fully embedded within the first line as a central coordination point for risk management efforts. It collaborates closely with risk owners and other assurance stakeholders to ensure that risks are effectively managed and remain within approved risk limits.

02

The second line consists primarily of the Risk and Compliance functions. These oversee the activities of the first line by defining risk tolerance levels aligned with the Group's overall risk appetite. They ensure robust monitoring frameworks and control testing mechanisms are in place to verify that the Group operates within Board-approved risk parameters. The second line also provides independent evaluation and reporting on risks originating from the first line while ensuring compliance with all applicable laws and regulations in Uganda.

03

The third line is the Internal Audit function, which provides independent assurance to the Board and Executive Management regarding the effectiveness of the Group's governance, risk management and internal control frameworks. This line evaluates the overall adequacy and effectiveness of the risk and control environment across the Group.

Our Risk Universe

Our Risk universe represents the Principal Risks that are core to our business. These are annually reviewed for changes to ensure the residual exposures are within appetite. For the 2024 review, these increased from 10 to 11 with the introduction of Environmental, Social and Governance (ESG) risk and the elevation of Legal risk.

1. Strategic Risk

Strategic Risk refers to the risk of losses or negative impacts on the Group's long-term goals and objectives due to poor strategic decisions, ineffective execution, or external changes that undermine the Group's competitive position or market environment. This risk sometimes includes Project Risk, which refers to the potential for unforeseen problems or challenges during the execution of specific projects. Mismanagement of Project Risk can lead to or exacerbate Strategic Risk.

2. Market Risk

Market Risk refers to the risk of losses in financial instruments or investments due to adverse changes in market conditions, such as fluctuations in interest rates, currency exchange rates, commodity prices, or equity prices. There are two subcategories of Market Risk; (a) Foreign exchange risk, also known as currency risk which refers to the risk of financial loss resulting from fluctuations in exchange rates between currencies. (b) Interest rate risk, which refers to the risk of financial loss due to adverse movements in interest rates.

3. Credit Risk

Credit Risk refers to the risk of financial loss to a lender or investor resulting from a borrower's failure to repay a loan or meet contractual obligations. This risk can arise from non-payment of the principal, interest, or both, or from the deterioration of a borrower's creditworthiness. It includes credit concentration risk (individual and sector) as well as Country Risk.

4. Compliance Risk

Compliance Risk refers to the risk of legal or regulatory sanctions, financial loss, or reputational damage an organization may face due to its failure to comply with applicable laws, regulations, codes of practice, or ethical standards. This risk arises from non-compliance with both external laws (such as financial regulations) and internal policies.

5. Funding Risk

Funding Risk refers to the risk that the Group will not have adequate funding to meet its financial obligations as they come due, or that it will be forced to secure funding at unfavorable terms due to constraints in liquidity or market conditions. Funding Risk also includes Capital Risk which is the risk that the Group's capital base becomes insufficient to absorb losses, jeopardizing its ability to continue operations or meet regulatory capital requirements.

6. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The main components of Operational Risk include:

- **People Risk**: Errors or misconduct by employees
- **Process Risk**: Failures in workflows or operations
- **Systems Risk**: Technology failures, including cyberattacks
- **External Events**: Natural disasters, pandemics, or geopolitical disruptions.

7. People and Conduct Risk

People and Conduct Risk refers to the combined risk that arises from the actions, behaviors, and decisions of individuals within the Group, which can lead to financial, operational, regulatory, or reputational harm.

This risk encompasses both People Risk, which concerns the potential for loss or inefficiency due to inadequate human resources, skills gaps, or poor performance, and Conduct Risk, which focuses on the unethical or inappropriate behaviors of employees, such as fraud, non-compliance with regulations, or mismanagement.

8. Third-Party Risk

Third-Party Risk refers to the potential risks that arise from relying on external entities (vendors, service providers, or business partners) for services or products that the Group uses.

These risks can affect the Group's operations, security, reputation, and regulatory compliance if the third party fails to meet its obligations, faces financial difficulties, or experiences other disruptions.

9. Cybersecurity Risk

Cybersecurity Risk refers to the potential harm or adverse impact that may result from the exploitation of vulnerabilities in the Group's information systems, networks, or digital assets. These risks can arise from various threats, including cyber-attacks, data breaches, unauthorized access, and other malicious activities carried out by individuals, groups, or automated entities with the intent to compromise the confidentiality, integrity, or availability of information.

10. Legal Risk

Legal Risk refers to the potential for financial or reputational losses that the Group may face due to legal actions, regulatory non-compliance, or contractual disputes. It arises from the uncertainty and exposure related to legal obligations, changes in laws, enforcement actions, or deficiencies in legal frameworks.

11. Environmental, Social, Governance (ESG) Risk

ESG risks are the potential negative consequences to a business that result from its impacts (or perceived impacts) on the natural environment (i.e. air, water, soil), communities of people (e.g. employees, customers, local residents) as well as the governance of a business' internal affairs and relationships with stakeholders, including its employees and the shareholders.

Risk Appetite

The Board defines its risk appetite to guide the types and levels of risks the management can undertake in support of the Group's growth strategy. The Risk Appetite Statement outlines qualitative and quantitative measures for key risks, including Strategic, Market, Credit, Funding, Operational, Cybersecurity, ESG, and People & Conduct Third party, Compliance and Legal Risks.

The Group remains committed to effective strategy execution, prudent market exposure, quality lending, robust operations, stringent cybersecurity, and proactive risk management. Compliance with laws, regulations, and ethical standards is a core principle. Aligned with the Enterprise Risk Management Framework, each risk is monitored through specific metrics to ensure exposures stay within defined thresholds, supporting strategic goals, regulatory compliance, and financial stability.

Stress Testing

The Group's comprehensive stress testing program serves as a vital management tool, providing a forward-looking approach to risk management and business performance evaluation. This process involves identifying potential events or shifts in economic conditions that could affect the Group's operations and financial stability.

Stress testing plays a proactive role in shaping the Group's risk profile while supporting strategic business planning and capital management. It is an essential element of the internal capital adequacy assessment process (ICAAP), helping to evaluate and manage both regulatory capital requirements and the Group's internal capital buffer thresholds. During the year, the model was enhanced to accommodate macroeconomic variables and their likely impact on the Group's portfolio, profitability, and capital ratios.

The Executive Management team and the Board of Directors regularly review the results of stress tests, with a primary focus on their implications for earnings and capital adequacy. These insights guide the Group's decisions, ensuring that any opportunities or actions are carefully considered for their impact on financial stability. The Group remains committed to avoiding any course of action that could risk breaching minimum capital adequacy requirements under any scenario.

STRATEGIC RISK

2024 Overview

The Group refreshed its strategy two years ago with an execution period stretching up to 2026. The refreshed strategy anchors on a rallying call, 'Fired-Up,' which galvanizes all our efforts towards achieving our purpose of "Transforming Lives and Businesses in Uganda". It also reaffirms our goal, which is "To sustainably grow stakeholder value with innovative solutions, inclusivity, and empowered people."

The refreshed strategy is anchored on five strategic pillars (Sector Specialization, Customer Relationships, Digital, Technology and Data, Performance Culture and Sustainability) and seeks to reaffirm our purpose and institutional goal, clarify where we play and how we shall win, define our digital and technology priorities, and show the value drivers that will enable us to achieve improved financial performance and social, economic environmental impact.

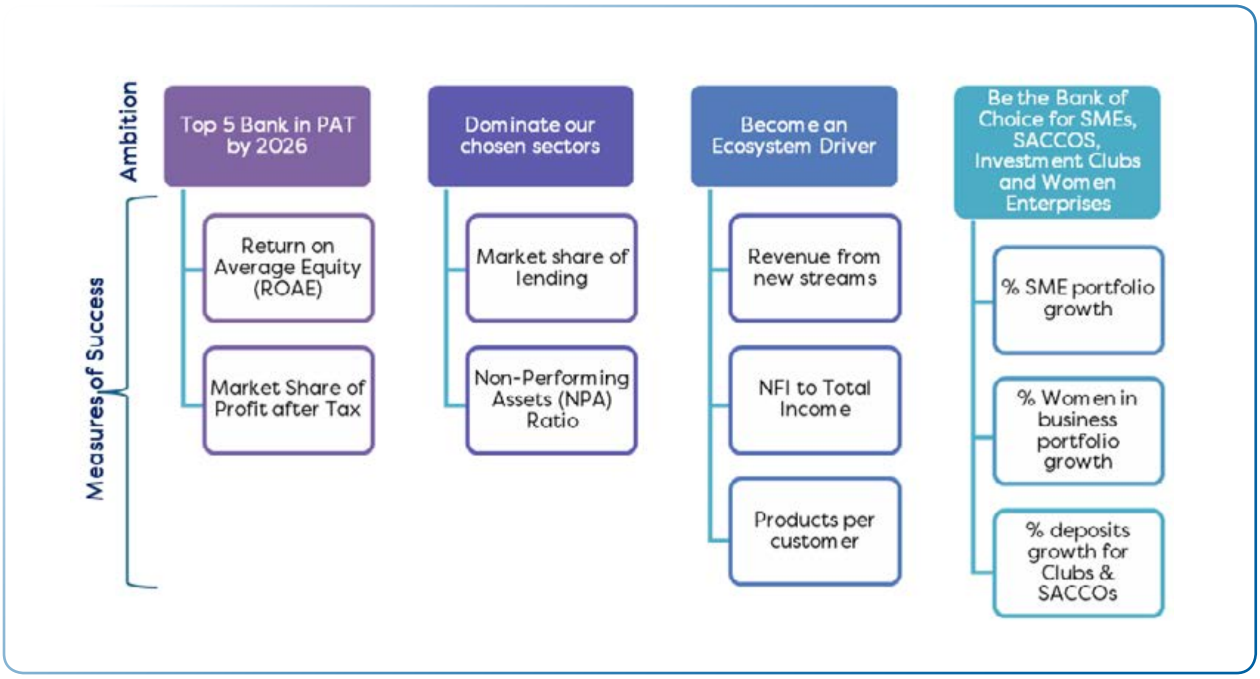
Our market share was 4.4%, slightly shy of the 5% target, while our Return on Equity turned around and returned to double digit, albeit 4% short of our 2024 ambition.

Focus for 2025

The bank refined its strategic intent for the remainder of the strategy term (2025-2026). The refinement was informed by the ever-evolving dynamic operating environment.

Highlights of the key changes in the refined strategic intent include the following:

- Specified the metrics for each of the years in the remainder of the strategy term.
- Stipulated our commitment to stakeholders, namely, "We keep our promise".
- Introduced three foundation enablers, namely, "Risk and Compliance, People, Sustainability."
- Defined additional ambitions over the existing ones as illustrated below:



MARKET RISK

2024 Overview

In 2024, the Ugandan Shilling showed significant resilience against the U.S. dollar, appreciating by approximately 7% over the year.

During the first 11 months of FY 2023/24 (up to May 2024), it remained relatively stable, experiencing a slight depreciation of 0.8% to an average mid-rate of UGX 3,781.4 per dollar, compared to UGX 3,752.5 per dollar in FY 2022/23.

This stability was driven by the Central Bank's stringent monetary stance, effectively curbing inflation and supporting the shilling's value. Interest rates experienced a gradual decline, reflecting the Central Bank's response to easing inflationary pressures and a stable economic environment.

Throughout 2024, the Group operated within the Board-approved Market risk limits. We continued to refine our reporting by enhancing the stress testing model to accommodate macroeconomic variables and their would-be impact on the Group's profitability and/or capital.

Focus for 2025

As a pre-election year, 2025 is expected to bring some volatility in interest rates and foreign exchange rates. The Group will remain focused on monitoring and managing interest rate risks across the trading and banking books, as well as mitigating foreign currency risks. Additionally, the downstream impacts of several executive orders issued by President Trump are anticipated to take effect during 2025. The reduction in donor funding through USAID and other agencies is likely to cause a shortfall in U.S. dollars, placing the shilling under pressure.

CREDIT RISK

2024 Overview

In 2024, the Group reinforced its commitment to prudent credit risk management by implementing strategic measures that improved portfolio quality and operational efficiency. The introduction of a revised risk appetite framework and enhanced business segmentation allowed for better risk identification and management across diverse economic sectors. Focused efforts to strengthen the control environment, including targeted risk assessments and increased governance over lending decisions, further bolstered the Group's ability to mitigate emerging risks. These proactive steps, combined with ongoing investments in automation and advanced analytics, have positioned the Group to maintain a balanced risk profile while supporting sustainable business growth.

The Group achieved a substantial improvement in asset quality, with loan impairments reducing sharply to UGX 14Bn from UGX 96.2Bn in 2023. This reduction reflects enhanced credit management practices and a more disciplined risk approach.

The credit loss ratio fell to 0.0%, a significant improvement from 7.4% reported in December 2023 and an average of 2.5% year-to-date, highlighting effective recovery efforts and improved portfolio performance. Similarly, the non-performing loans (NPL) ratio decreased to 4.2% from 9.2% in the prior year, performing within regulatory expectations. However, the Group's loan portfolio contracted slightly to UGX 1.12 trillion from UGX 1.15 trillion in 2023, reflecting a more selective lending approach aimed at preserving portfolio quality while maintaining long-term growth objectives.

Key Achievements

1. Loan portfolio health: The Group started off with an NPA ratio of 9.4% at the beginning of the year and closed at 4% by the end of the year.
2. Enhanced Sector Specialization and Risk Diversification: Implemented a revised risk appetite framework with a focus on strategic sector mapping, prioritizing sectors such as Agriculture, Education and Health, Energy and Infrastructure, Manufacturing, ICT, Trade and Business, Financial Institutions, and Public Sector, coupled with the segmenting of our business into new business segments – (Corporate and Institutional, Commercial, Enterprise and Personal).

Key Initiatives

1. **Credit Portfolio Optimization:**
    a. Reviewed and updated the Credit Policy documents to align with evolving market conditions, regulatory requirements, and the Group's strategic risk appetite.
    b. Enhanced Process Frameworks to strengthen credit lifecycle governance from origination to recovery ensuring efficiency, minimizing operational risk, and ensuring alignment with best practices.
2. **Automation and Technology Integration:**
    a. Initiated a project to automate key phases of the lending process, including origination, appraisal, and approval, aimed at improving efficiency and reducing operational risk.
    b. Leveraged advanced analytics to enhance early-warning capabilities and identify emerging credit risks.

Focus for 2025

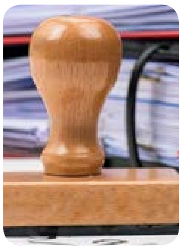
This year, our focus remains on sustaining growth while reinforcing the resilience of the credit portfolio. Key priorities include:

1. **Automation:** Accelerate the automation agenda to improve decision-making speed, enhance customer experience, and strengthen risk controls.
2. **Strengthening Portfolio Oversight:** Monitoring of key risk indicators and maintaining rigorous oversight on sectors with heightened risk exposures.
3. **Building Capacity and Culture:** Investing in capacity-building programs to equip teams with advanced credit risk management capabilities and reinforcing a culture of risk awareness.

The Group remains steadfast in maintaining a balanced risk-reward profile, fostering sustainable growth, and aligning its credit strategy with long-term business objectives. Additionally, through disciplined risk practices and continuous innovation, the Group is well-positioned to navigate future challenges while delivering value to our stakeholders.

COMPLIANCE RISK

2024 Overview



The Group's Compliance Risk management framework is implemented and overseen through the Group's Compliance Department.

The Chief Compliance Officer reports directly to the Chief Executive Officer but with direct access to the Chairperson of the Board Risk Committee.

In 2024, the Group continued to see changes in the regulatory landscape particularly in respect to new laws, regulations and guidelines governing the industry. The Group took proactive steps to enhance its Compliance Risk Management practices by updating its regulatory framework to include the newly enacted laws and regulations. These included inter alia, the Financial Institutions (Corporate Governance) Regulations, 2024, the Stamp Duty (Amendment) Act, 2024, the Group of Uganda guidelines on Liquidity Risk 2024, and the Group of Uganda guidelines on Cyber and Technology Risk Management. The Group remains committed to achieving full compliance with all relevant regulations and guidelines.

Furthermore, the Group continues to adhere to the terms agreed upon between Uganda and the Financial Action Task Force (FATF), the global authority on Anti-Money Laundering (AML) alongside the Financial Intelligence Authority (FIA). This commitment is key to safeguarding the Group against risks related to money laundering, terrorist financing, and proliferation financing.

By staying ahead of regulatory requirements, the Group not only mitigates risks but also strengthens its reputation as a trusted financial institution. The Group's dedication to compliance ensures that it remains resilient, well-positioned for growth, and aligned with global standards for financial security and integrity.

Focus for 2025

In 2025, the Group's Compliance Risk focus remains to ensure that all of the Group's business is conducted within the existing regulatory landscape and best practices globally.

A key initiative for the year will be the rollout of a new AML surveillance system in line with the Group's digital strategy. This system will enhance the Group's ability to detect and report suspicious transactions more efficiently, leveraging Artificial Intelligence to identify patterns and anomalies in real-time. The implementation of this technology will significantly improve the Group's risk detection capabilities, further safeguarding against money laundering, terrorist financing, and other financial crimes, while ensuring regulatory compliance.

Similarly, a key focus will be the upskilling and reskilling of our employees to support the Group navigate the evolving compliance landscape in a prudent, sustainable, and responsible manner.

FRAUD AND MISCONDUCT RISK

2024 Overview

In 2024, the Bank faced a reduction in incidents of fraud, notably mobile banking fraud associated with stolen phones/ devices, thereby depicting an improved operating environment for customers and a built-in trust with the Bank. Overall, when compared with prior years, 2024 revealed a tremendous reduction in fraud losses attributed to the continued efforts in fraud awareness for both the internal staff and customer education.

Within the same year, the Bank conducted several risk-based anti-fraud awareness trainings, equipping staff with the knowledge to timely identify, report, and prevent/deter fraud. Externally, the Bank conducted customer education through the Bank's social media channels, via emails, the Quick Banking App, and SMS messages targeting customers with feature phones and those not on social media. The Bank recognizes that fraud risk awareness for internal staff without the same awareness for customers or service providers exposes the Group and its customers to risks of fraud.

The Bank conducted risk assessments based on recurring fraud exposures to enhance its controls and mitigate the risk of loss due to fraud. The Bank, as part of its customer service pillar in the strategy, carefully reviewed historical incidents, conducted risk assessments/deep dives into reported incidents, and devised ways to stop fraud. Additionally, the Bank intensified its efforts in customer education.

The Bank shared the Whistleblower channels via the Bank's website and Social Media channels. This was to encourage reporting of fraud both internally and externally.

The Group has put in place measures to improve the cyber security environment, including real-time monitoring of breaches to the Bank's network through the implementation of a Security Information and Event Management (SIEM) tool to generate rule-based alerts for potential intrusions and access policy violations. The Bank approved the budget for the acquisition of enhanced real-time fraud detection tools to ensure timely identification and deter fraud in 2025.

To enhance the operational safeguards, the Bank works closely with the other stakeholders, including regulators such as the Financial Intelligence Authority, Bank of Uganda, Uganda Revenue Authority, and the law enforcement such as Uganda Police Force (UPF), as well as the Uganda Bankers Association (UBA) and other industry players to create awareness on fraud, forming a collaborative approach in the fight against fraud.

The Bank has a zero-tolerance policy against fraud and misconduct, and any persons involved in the perpetration thereof.

Focus for 2025

In 2025, the Group will continue to conduct relevant fraud prevention programs including frequent anti-fraud and misconduct communications and training and awareness sessions for our staff, service providers and customers and fraud risk assessments on identified high risk products/ services.

The Group will continue to focus on customer education through safe grouping tips to our customers and anyone using our products and services.

The Group will continue to run whistle-blower campaigns, encouraging the open reporting of fraud and misconduct observed both in and out of the workplace.

Furthermore, the Group will continue to invest in cyber security, including real-time monitoring of breaches to the Bank's network through the implementation of Security Information and Event Management (SIEM) tool to generate rule-based alerts for potential intrusions and access policy violations.

The Bank will continue to invest in robust fraud detection technologies controls, enhance its operational safeguards, and work closely with all regulatory stakeholders, law enforcement, the Uganda Bankers Association and other industry players to create awareness and promote collaboration in the fight against fraud, misconduct and cybercrime.

FUNDING RISK

2024 Overview

Financial institutions in Uganda faced heightened liquidity risk driven by tighter monetary policies, reduced donor funding, and economic uncertainties.

These factors strained liquidity positions, increasing competition for deposits and reliance on short-term funding.

Regulatory pressures further emphasized the need for robust liquidity management to ensure resilience in meeting obligations and maintaining financial stability.

The Group maintained sufficient liquidity throughout 2024 to fund its operating requirements and to stay within its regulatory and internal risk appetite limits. Similarly, the Group's capital adequacy ratios remained robust closing the year at 29% and 30% for Common Equity Tier 1 (CET1) and Total Capital respectively.

Focus for 2025

Greater focus will be placed on accurate cash flow forecasting in response to the evolving global and macroeconomic environment. The Group aims to implement balance sheet optimization strategies to maintain appropriate tenures, currencies, amounts, and costs, aligning with its strategic objectives. Additionally, the Group intends to harness the power of data analytics to strengthen its liquidity risk

OPERATIONAL RISK

2024 Overview

Operational risk remained well-managed throughout 2024, with enhanced governance structures, technological investments, and strengthened risk controls contributing to stability.

The Group recorded a further reduction in operational losses by 87% compared to 2023, demonstrating the effectiveness of proactive risk management measures.

Operational risk management continues to be embedded within the three lines of defense, ensuring that risk identification, assessment, and mitigation remain a priority across all levels of management. The Group leveraged both qualitative and quantitative methodologies to enhance risk visibility and accountability. Additionally, continuous improvements in automation and digitalization further strengthened the Group's ability to mitigate risks efficiently.

The Internal Controls Unit, introduced in 2023, played a pivotal role in strengthening the control environment. The Group's control framework was reinforced with additional oversight, ensuring a more robust approach to mitigating operational losses, reputational risks, and regulatory breaches.

Business Continuity Management

Business continuity remained a key pillar in the Operational risk framework, with a focus on operational resilience to safeguard service delivery. Scenario analysis and stress testing were conducted to assess the Group's preparedness for potential disruptions.

Key initiatives undertaken:

- Comprehensive simulations and contingency planning exercises to enhance preparedness.
- Strengthening disaster recovery capabilities, ensuring redundancy for critical systems and priority business processes.
- Adoption of cloud-based solutions to improve system resilience and minimize downtime.
- Continuous investment in cyber resilience strategies to combat evolving digital threats.

The Group remains committed to minimizing service disruptions and maintaining a limited appetite for operational downtime, ensuring continued service delivery to customers.

Focus for 2025

- Strengthening risk culture and ownership at all levels.
- Increasing reliance on predictive analytics and data-driven risk identification.
- Enhancing risk monitoring to ensure timely identification and remediation of risks.
- Expanding risk awareness and training initiatives across business units.

PEOPLE AND CONDUCT RISK

2024 Overview

In 2024, the Group further entrenched People and Conduct Risk as a standalone principal risk, reinforcing the critical role of ethical behavior and workforce integrity in achieving strategic goals.

Key actions taken:

- Strengthened the risk culture transformation program, ensuring clear expectations around ethical behavior.
- Enhanced conduct risk monitoring, with a focus on early detection and intervention.
- Strengthened the four behavioral pillars introduced in 2023, driving accountability, collaboration, continuous learning, and customer-centricity.
- Implementation of talent retention strategies, reducing regrettable attrition rates.

Focus for 2025

The Group maintains a zero-tolerance policy on gross misconduct, with decisive actions taken against breaches of ethical and professional standards.

THIRD-PARTY RISK

2024 Overview

Given the growing reliance on third-party partnerships to drive digital innovation, third-party risk management was further reinforced in 2024.

Key risk management strategies implemented:

- Enhanced onboarding and due diligence to prevent vulnerabilities in third-party relationships.
- Continuous monitoring and reassessment of vendors to detect emerging risks early.
- Strengthened cybersecurity requirements for third parties to minimize IT security risks.
- Proactive contract renegotiation and exit strategies to mitigate exposure to non-compliant vendors.

Focus for 2025

The Group remains diligent in preventing control weaknesses from being introduced into its operating environment through third-party engagements.

CYBERSECURITY RISK

2024 Overview

Cyber risk remained at the forefront of operational risk management in 2024, with increased global and local cyber threats requiring heightened vigilance.

The Group continued its proactive approach to enhancing cybersecurity frameworks, policies, and response capabilities.

Key cybersecurity initiatives in 2024:

- Investments in next-generation cybersecurity solutions, including AI-driven threat detection.
- Expansion of cyber awareness training to strengthen the human firewall against phishing and ransomware attacks.
- Adoption of zero-trust security principles across the organization.
- Enhanced incident response and recovery protocols, ensuring business continuity in the face of cyber threats.
- Strengthened regulatory compliance in line with data protection and cybersecurity laws.

Focus for 2025

With emerging cyber risks evolving rapidly, the Group remains committed to strengthening its defenses and building a resilient cyber risk posture to protect its customers, data, and operations.

LEGAL RISK

2024 Overview

The Group remains committed to upholding the highest legal and regulatory standards, ensuring that all business operations align with prevailing laws and industry best practices.

Legal risk management was further strengthened in 2024 through enhanced governance frameworks, proactive engagement with regulatory bodies, and continuous review of contractual obligations.

Key Legal Risk Management Actions:

- Strengthened oversight and governance to ensure compliance with evolving legal and regulatory requirements.
- Enhanced due diligence and contractual safeguards to mitigate potential legal exposures.
- Ongoing collaboration with legal advisors to pre-emptively address emerging legal challenges.
- Focused training and awareness programs to reinforce legal and ethical best practices across the organization.

Focus for 2025

In 2025 and beyond, key areas of focus for the Group will include:

- Enhancing risk culture and governance at all levels, fostering proactive risk ownership.
- Accelerating digital transformation while ensuring robust cybersecurity and fraud controls.
- Further strengthening of risk management processes to drive efficiency and reduce human error.
- Strengthening third-party risk oversight, ensuring compliance with evolving regulatory requirements.
- Promoting sustainability-driven risk management, aligning with global ESG standards.

ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) RISK

2024 Overview

In 2024, the Group remained committed to responsible lending by integrating environmental, social, and governance (ESG) risk assessments into its credit approval and monitoring process.

The ESG Officer, under the Credit Monitoring and Support unit, consistently applied the International Finance Corporation (IFC) Performance Standards categorization system to evaluate the magnitude of ESG risks and impacts associated with financed projects.

Projects were classified into three categories, i.e., Category A, B/B+, and C, based on factors such as project type, location (including proximity to ecologically sensitive areas), sensitivity, scale, and the nature and magnitude of potential impacts. This risk-based approach ensured that high-impact projects received enhanced due diligence while lower-risk projects followed a streamlined ESG assessment process.

Through this framework, the Group strengthened its ability to identify, mitigate, and manage ESG risks, fostering sustainable financing practices and aligning with global best practices in responsible grouping. The continued integration of ESG considerations into credit risk assessments positions the Group to support long-term environmental and social sustainability while safeguarding financial stability.

Focus for 2025

As ESG risk continues to shape the financial sector, the Group is taking proactive steps to enhance its ESG risk management framework in 2025. Key focus areas include:

- **Incorporating ESG Risk as a Principal Risk:** ESG Risk will be formally recognized as one of the Group's principal risks and integrated into the overall risk management framework.
- **Embedding ESG Risk in the Risk Appetite:** The Group will define clear risk appetite thresholds for ESG Risk, ensuring alignment with its strategic objectives and regulatory expectations.

- **Developing an ESG Risk Management Policy:** A dedicated ESG Risk Management Policy will be established to provide structured guidelines for identifying, assessing, and managing ESG-related risks.
- **ESG Risk Awareness & Training:** Capacity-building initiatives, including targeted ESG training programs, will be rolled out across various group functions to enhance awareness and competence in managing ESG risks.
- **Conduct ESG risk assessment and mapping:** Identify & categorize ESG risks relevant to different units in the Bank and incorporate them into their Risk registers.
- **Strengthening ESG Risk Oversight:** A clear governance structure will be established, including the appointment of a Sustainability Governance Manager within the risk domain to support ESG risk integration across the Group. This will enhance collaboration with the Sustainability Department in the First Line, ensuring a coordinated approach to ESG risk management.

Conclusion: *Sustainable Growth Through Effective Risk Management*

Risk management is an ever-evolving discipline, and at **dfcu**, we remain committed to staying ahead of emerging threats while supporting business growth. Our refined Key Risk Indicators, enhanced governance structures, and investments in cyber resilience position us to navigate uncertainties while continuing to serve our customers with excellence.

We appreciate our Board, Executive Management, employees, and stakeholders for their unwavering commitment to effective risk management and governance. As we embrace 2025, the Group remains well-positioned to mitigate risks, seize opportunities, and drive sustainable value for our shareholders and customers.

05 The dfcu Foundation

dfcu FOUNDATION

Transitioning to a Robust Organization Delivering Impact

Our vision is to become the leading organization promoting enterprise development, building from past achievements that the foundation (formerly ADC) realized in supporting businesses and enhancing financial inclusivity. This aligns with the Group's mission of "Transforming Lives and Businesses in Uganda."

Mabel Kasente Ndawula
Executive Director ***dfcu*** *Foundation*

The Foundation was established in 2017 as the Agribusiness Development Center (ADC), a company limited by guarantee and formed through a partnership between **dfcu** limited (Uganda) and Rabo Foundation (Netherlands). In 2024, the two institutional partners made a strategic decision to reorganize their partnership, culminating in the establishment of the **dfcu** Foundation. This transition marks ADC's evolution into a fully-fledged social investment arm of the **dfcu** Group.

Driving Progress, uplifting Communities

Our commitment remains focused on driving progress and uplifting communities through sustainable development initiatives that create impactful change for our customers and the regions we serve.

Aligned with the Group's purpose of '*Transforming Lives and Businesses in Uganda*,' the **dfcu** Foundation's mission includes capacity building in designated focus areas, implementing a business accelerator program, and fostering relevant linkages and collaborations with various stakeholders.

The Foundation's work is centered around two key pillars:

Pillar 1: Enterprise Development - sustainable capacity building for MSMEs, small holder farmers and agribusinesses, with a special focus on women and youth
Pillar 2: Expanding financial access - catalyzing access to quality, affordable credit amongst under-served groups

In the Business Plan, we batched the Oil & Gas supply chain under Trade & Business with a focus on MSME capacity development. Essentially, we are focusing on two key sectors: Agriculture and Trade & Business.

Under Agriculture, the Foundation focuses on four core value chains – Livestock & dairy, Coffee, Oil seeds and Cereals. Initially, the Foundation focused on varied agribusiness value chains but has since narrowed to these four distinctive value chains.
In Trade and Business sector, the focal point is on empowering:

1. Women in Business
2. Green Businesses
3. Oil & Gas Supply Chain
4. Family Businesses
5. Youth led Businesses
6. Investment Clubs
7. SACCOs.

In addition, the Foundation, through our Business Development Services (BDS) initiatives and business accelerator programs, ensures a holistic approach to enterprise development and community upliftment.

Under Oil and Gas, the Foundation is involved in preparing businesses for financial opportunities in the sector.

SUPPORTING THE GLOBAL SUSTAINABILITY AGENDA

While the Group is still in the process of developing its Sustainability strategy, the Foundation has proactively integrated the global Sustainable Development Goals (SDGs) into its programs and initiatives. Our efforts align with several key SDGs, including:

SDG 1 - Ending Poverty: Implementing initiatives aimed at fostering economic stability and resilience in communities.

SDG 2 - Eradicating Hunger: Promoting climate-smart agriculture practices that enhance food production and security.

SDG 5 - Gender Equality: Advocating for financial inclusion and ensuring equal access to credit and opportunities for women.

SDG 7 - Affordable & Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all

SDG 8 - Decent Work and Economic Opportunities: Focusing on enterprise development to generate jobs and create sustainable livelihoods.

SDG 12 - Responsible Production and Consumption: Encouraging sustainable practices in agriculture through climate-smart approaches.

SDG 13 - Climate Action: Engaging in initiatives that promote climate-smart agriculture as a means to combating environmental challenges.

SDG 17 - Partnerships for the Goals: Building and sustaining effective partnerships necessary for achieving these goals and fostering community development.

Through our commitment to these SDGs, the Foundation is dedicated to ensuring that our initiatives not only uplift communities, but also contribute to the global agenda for sustainable development.

2024 performance highlights

The **dfcu** Foundation achieved success in the following areas:

1. **Enterprise training**: 402 enterprises trained during the year, bringing the total number since 2017 to 1,281.
   - 24,401 Beneficiaries Trained.
   - 54.3% of the Beneficiaries were Women
2. **Financial inclusion:**
   - 1,119 accounts were opened with **dfcu** Bank,
   - 1099 of which were by Individuals (Beneficiaries) and the rest by SMEs (20).
   - Loan linkages:
   - 11 small and medium enterprises benefited from loans valued at Ush. UGX 25,549,919,300 offered by the Bank and Rabo Foundation.
3. **Business Accelerator Program**: 76 Enterprises Trained; 454 Individuals Trained.
4. **Investment Club Program**: Nil (engagements earmarked for 2025).
5. **Hi-Innovator Program**
   - 1,131 Participants Trained.
   - 7 Small & Growing Businesses (SGBs), Coached and Mentored to winning $20,000 Seed funding from NSSF (Total $140,000).
6. **Job creation**: 2,112 direct jobs created between 2022 and 2024.
7. **New partnerships:**
   - Investment Fund for Developing Countries (IFU), supporting the implementation of the **dfcu** Foundation Gender Action Plan for its clients.
   - Renewal of Partnership with Outbox Uganda to implement the Hi-Innovator Program under a New Engagement Model 2024-2025.

Value created for the Group by dfcu Foundation

The Foundation recognizes and appreciates the invaluable support received from both the Group and the Bank. Leveraging the strong **dfcu** brand has significantly facilitated the building of partnerships and has helped earn the support and goodwill of various stakeholders.

The primary contribution of the **dfcu** Foundation lies in fostering bankability and the sustainability of enterprises, fostering long-term relationships between the Bank and its customers. Through the synergies realized, the value derived from the Foundation's activities can be summarized as follows:

- **Providing Technical Expertise:** We offer Business and Enterprise development support, focusing particularly on MSMEs and individuals that also double as Bank customers. The technical training encompasses the following areas aimed at enabling enterprises to acquire essential financial management and governance skills, thus enhancing their bankability and sustainability.

- o Governance and Leadership
- o Financial Literacy and Management
- o Marketing
- o Digital Literacy
- o Price Risk Management

- **Financial Linkages (Accounts and Financial Products):** Our efforts help transition beneficiaries into bankable customers, promoting financial inclusion.
- **Positive Brand Equity:** The Foundation contributes to strengthening the Group's brand equity through social, economic, and environmental (SEE) initiatives that target both customers and communities.

Overall, the Foundation is committed to not only uplifting enterprises, but also enhancing the value and reputation of **dfcu** Bank within the community.

What the future looks like

The Foundation is currently navigating the initial stages of its transition from ADC to a comprehensive social impact arm of the Group, building upon the robust foundation and successes established over the past eight years.

Our vision is to become the leading organization in promoting enterprise development while supporting businesses and enhancing financial inclusivity, all aligned with the Group's mission of *"Transforming Lives and Businesses in Uganda."*

The foundation will do the following:

1. Remodel capacity building programs to scale and reach 100,000 beneficiaries
2. Through the Business Accelerator Program, reach 1,000 MSMEs in Trade and Business, including SACCOs and Investment clubs serving them
3. Focus the Agribusiness capacity building in mainly four key value chains for specialization to reach 2,280 MSMEs
4. Plant 500,000 trees for a CO_2 volume of 12,000MT
5. Create 3,500 direct and indirect full time jobs.

Aspirations:

- **Vision:** Catalyze sustainable inclusive growth for Ugandan people and businesses.
- **Mission:** Deliver Social, Economic, and Environmental (SEE) impact amongst prioritized stakeholder groups.
- **Goal:** Transform the socio-economic status of 100,000 beneficiaries (60% women, 40% men and 40% youth).

Target sectors

We are committed to prioritizing underserved groups, including micro, small, and medium enterprises (MSMEs), smallholder farmers, and agribusinesses. Our efforts will also continue to emphasize agricultural value chains, particularly in sectors like livestock and dairy, coffee, cereals, and oil seeds.

In the trade and business sectors, our focus will center on empowering women in business, promoting green businesses, enhancing the oil and gas supply chain, supporting family businesses, encouraging youth-led enterprises, and fostering investment clubs and Savings and Credit Cooperative Organizations (SACCOs), among others.

Milestones in 2024

1. Business Development Services (BDS) - Capacity Building Program 2018-2024 (Central, East, North, West (A, B and C).

The goal is to enhance and strengthen the capacities of Farmer-Based Organizations, Village Savings and Loans Associations (VSLAs), and SACCOs, as well as to foster financial and market linkages to ensure a sustainable future. Business Development Services were provided in the areas of leadership and governance, financial literacy and management, marketing, price risk management, ESG, gender diversity and management, climate-smart agriculture, and mitigation to improve climate resilience.

- 323 enterprises trained with 9913 participants.
- UGX 25.5 billion facilitated in financial linkages through **dfcu**, Rabo Foundation, and others.

2. Climate Smart Agriculture and Mitigations Pilot Project (under BDS) 2023-2024

The project aimed to improve the resilience of 30 Farmer Based Organizations (FBOs) in coffee, dairy, livestock, grains, cereals, and horticulture by implementing climate-smart practices like mulching, pruning, stumping, terracing, pasture management, and fertilizer application.

- 31 demo sites established
- 30 enterprises trained with 214 participants
- Increased uptake of Climate Smart Technologies (Energy Efficient Stoves, Biogas Kits (at least 15 new users), Irrigation Pumps
- Increased adoption of Climate Smart Practices - Mulching, Pruning, Stumping, Terracing, etc.

3. Business Accelerator Program 2022-2025

The initiative aimed to build and strengthen SMEs, as well as foster financial and market links, in order to ensure a long-term future. BDS provided services in environmental and social governance (ESG), gender diversity and management (GDM), financial modeling, and business plan preparation.

- 76 enterprises trained with 454 participants

4. Hi-Innovator Program 2023-2025

The program provides technical capacity building support as an Enterprise Support Organization (ESO) by enrolling SME in the NSSF Hi-Innovator Business Academy. It seeks to promote the completion of learning courses in areas such as Business Foundational Course, Essentials of E-Business, Business Compliance, as well as offering mentorship and coaching in preparation for investor pitch decks, towards the award of USD 20,000 Seed funding.

- 1,131 participants trained
- 7 SGBs, mentored and coached to win the $20,000 grant awards from NSSF. (Total $140K)

dfcu Foundation impact in pictures

Through our Agribusiness Development Centre – ADC (now **dfcu** Foundation), we supported smallholder farmers, cooperatives, and SMEs with financial literacy, governance training, and access to financial services: We impacted over 9,000 farmers, 885 enterprises, and 27,079 smallholder farmers. 40,000+ Ugandans directly and 100,000 indirectly benefited from improved financial literacy and agribusiness innovation. We trained 402 enterprises, 54% of which are women-led. We created 2,112 new jobs through agribusiness initiatives.

A group photo of the Kisagazi ACE after a gender training session.

A farmer in his coffee garden

A farmer demostrates how his household is using bio gas to prepare meals

A visit to the Kokonjeru Cooperative where ADC has trained and linked them to finance

Enhancing the economic participation of women is at the heart of what we do.

Bootcamp training in Mityiyana Moslem Community by ADC-2024

ADC business advisor - Physical training in the North

An ADC community based trainer during a training session in the East

ADC trainer with the JICA represenative at one of ADC's hub in Buikwe which the community is using to learn the diffrent lessons on SOMA

A beneficiary cocoa farmer

The ADC team with the management team from Aber innovation hub, a group that has embraced sustainable agriculture under the guidance of ADC.

Case Study

Kikazi Agri Products Limited

The journey of Kikazi Agri Products with **dfcu** Foundation began in 2023. Initially a sole proprietorship run by a young woman named Grace Akatuha from her home, the business has experienced remarkable transformation thanks to the foundation's enterprise development training, personalized business coaching, and mentoring, along with access to suitable financial products.

First, the business opened an office, thus formalizing its operations. It also pursued business partnerships and executed an innovative supply chain model geared to sustainable growth. Kikazi also hired additional staff in line with its expanded operations.

Kikazi was the beneficiary of a UGX 5,000,000 award from the Foundation and also participated in a mentorship program targeting small enterprises, specifically training on how to develop business plans and investor pitch documents.

Kikazi also benefitted from a USD 20,000 equity seed funding from the National Social Security Fund (NSSF) that has enabled the firm to expand its operations and unlock business opportunities.

The company now sources, aggregates, and processes millet from 65 smallholder farmers in Western Uganda, Rukungiri district, organizing them into one registered farmer group, Kikazi Farmer's Group, to improve coordination, enhance productivity, and ensure fair pricing. Additionally, it offers farmers prices that are up to 12% above market rate in a bid to improve their livelihoods and ensure sustainable production.

Kikazi Agri Products has also taken significant steps to support its farmers through capacity-building training focused on quality management and post-harvest handling. With the seed funding received, the company has supplied tarpaulins to farmers, which helps minimize post-harvest losses and improves the overall quality of grains sourced.

This commitment to quality has enabled Kikazi to earn a Quality Certification mark from the Uganda National Bureau of Standards, further enhancing its reputation and reliability in the agricultural market.

Impact

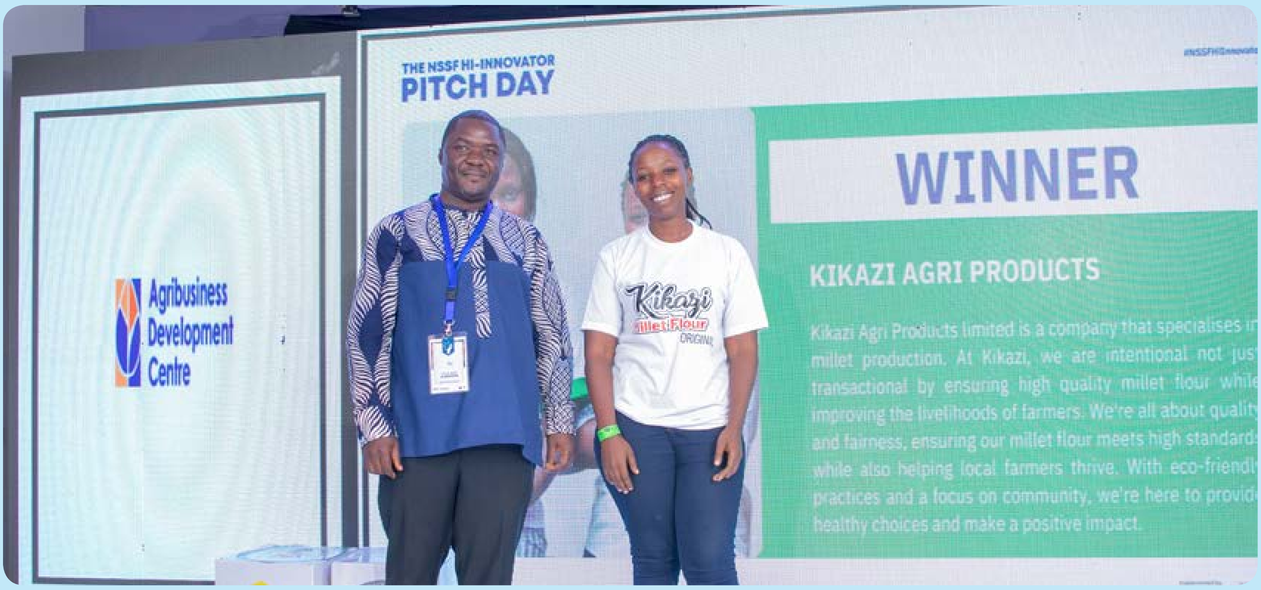
Increased Incomes: *Small-holder farmers earn 12% higher prices compared to market rate as a result of bulk purchasing and reduced middlemen exploitation.*

Enhanced Economic Resilience: *Farmers now enjoy enhanced financial stability due to predictable incomes and access to credit.*

Strengthened Farmer Organizations: *One farmer group has been formed, fostering collaboration and knowledge sharing.*

Kikazi Agri-Products Limited exemplifies how agribusinesses can drive economic transformation by empowering smallholder farmers.

With continued support from the Hi-Innovator Program and **dfcu** Foundation, the enterprise is poised to scale its impact by reaching more farming communities, strengthening market linkages, and fostering sustainable agriculture.



Our Social Impact Initiatives

In 2024, **dfcu** Bank reaffirmed its commitment to transforming lives, businesses, and communities across Uganda through its ***"60 Acts of Kindness"*** staff campaign. All the Bank's staff participated in a series of corporate social responsibility (CSR) initiatives funded by both individual contributions and bank funds.

This campaign was part of **dfcu** Bank's celebration of its 60-year legacy as a Ugandan bank, which has played a significant role in the socioeconomic development of the country since its origins as a development finance institution.

From May 2024, the Bank's employees actively participated in numerous community-impact activities, underscoring **dfcu** Bank's commitment to uplifting vulnerable communities and addressing pressing social needs. As part of its outreach efforts, **dfcu** organized various initiatives focusing on target areas such as maternal healthcare, child welfare, and social impact.

83

units of blood donated to the UBTS

In a notable partnership with the Uganda Red Cross Society, ***dfcu*** *employees organized a blood donation drive at the Bank's Head Office in Nakasero. The event saw enthusiastic participation from both customers and staff, resulting in the collection of 83 units of blood to support the Uganda Blood Transfusion Service.*

At that time, Uganda had a minimum daily requirement of 1,500 units of blood to assist accident victims, birthing mothers, anaemic children, and cancer patients, yet the actual supply was frequently below this threshold.

This marked the second instance of the Bank collaborating with the Uganda Red Cross Society for blood donation initiatives.

At Afaayo Child Health Education and Rehabilitation Unit (ACHERU), the **dfcu** staff team donated essential items, including hospital beds, mattresses, duvets, soap, and food items like sugar, rice, and posho. ACHERU focuses on rehabilitating children with physical and mental disabilities, providing a home to those who have been shunned or neglected due to their impairments.

The name ***Afaayo*** translates to "***He/God Cares***" in Luganda, reflecting the organization's mission. Over the years, the home has facilitated treatment for thousands of children, giving them a new lease on life and a chance for a better future.

Our Social Impact Initiatives

06 Our Sustainability Journey

Our Approach to Sustainability

SEE

SEE Approach (Social, Economic & Environmental)
Our corporate sustainability implementation is framed through three key pillars of Social, Economic, and Environmental (SEE).

ESG

ESG Risk Management framework
We use the ESG framework as a structure to assess and manage Environmental, Social & Governance risks, to measure our SEE implementation, and for regulatory reporting in alignment with local and shareholder expectations.

SDGs

Focus SDGs: We aim to achieve positive SEE impact linked to the UN Sustainable Development Goals ("SDGs") with a focus on eight specific SDGs aligned with the Bank's strategy.

Financial Inclusion: Through the dfcu Foundation, we promote access to quality, affordable credit to underserved groups, including MSMEs and smallholder farmers.

Enterprise Development: Drive the sustainable capacity building for micro and small businesses as well as smallholder farmers, focusing on women and the youth.

Education: Promote inclusive and quality education and vocational skilling to communities through strategic partnerships.

Health: In addition to deliberately investing in our people's health, safety, and well-being, we also implement various health-focused corporate social initiatives through health camps.

Commitment to Climate Action: We are committed to reducing the bank's carbon emissions through initiatives such as tree planting and growing implemented under the dfcu Foundation.

Our commitment to responsible growth

At **dfcu**, sustainability is not just a policy but a fundamental principle guiding our operations and strategy. Sustainability is our ability to positively influence social, economic and environmental (SEE) development through robust governance practices and a strong market presence. Our approach aligns **profitability with purpose**, integrating **Environmental, Social, and Governance (ESG)** factors into every aspect of our banking operations. This commitment aligns seamlessly with our mission to grow shareholder value while simultaneously transforming the Ugandan economy and enhancing societal well-being.

Key Priorities for 2024

In 2024, dfcu prioritized several key initiatives to advance our sustainability agenda:

- **Building Capacity** – trained and certified internal Sustainability team - Head of Sustainability, Sustainability Governance Manager, Sustainability manager and ESG managers - strengthening leaderships commitment to sustainable banking.
- **Strengthening Governance** – A Sustainability Management committe to ensure oversight and aligment.
- **Expanding our Green Finance Portfolio:** – Over 15% of **dfcu**'s current lending portfolio directly supports the ESG agenda, with a target of 25% by 2026. We are dedicated to increasing our investments in projects that promote environmental sustainability.
- **Reducing Environmental Impact** – In 2024, **dfcu** achieved:

10% reduction in office energy consumption.

15% reduction in operational carbon footprint.

60% of waste recycled across operations.

Solar panels installed at the Head Office, cutting dependency on grid electricity for lighting.

How We Drive Sustainable Value Creation

Sustainability considerations are deeply embedded into our core business operations. Specifically, we ensure that Environmental and Social (E&S) risk assessments significantly influence our credit decisions. Our practices are guided by globally recognized frameworks such as the UNEP-FI Principles for Responsible Banking, GRI reporting standards, and Ugandan regulatory guidelines.

Notably, every client we finance undergoes an ***ESG risk assessment*** and is categorized as **A** (*high risk*), **B**, or **C** (*low risk*).

Governance and Capacity Building

dfcu has invested in building capacity for the Sustainability Committee members who did a Sustainability Course in 2024. In addition, a sustainability strategy has been formulated and is undergoing the approval process, while a Sustainability Manager has been appointed.

Materiality Assessment & Stakeholder Concerns

In 2024, **dfcu** conducted a comprehensive materiality assessment, engaging with customers, regulators, investors, and communities. Key concerns identified include climate resilience, financial inclusion, and responsible lending.

Critical stakeholder concerns that emerged were climate change risks, financial literacy, gender inclusion, and access to green finance. An independent assessment of sustainability at **dfcu** to establish baseline figures and a materiality assessment with key stakeholders was undertaken, establishing climate risk to agriculture as most critical.

Incorporating Stakeholder Feedback

In response to the above concerns, dfcu has taken concrete actions:

- Introduced financial literacy initiatives to empower communities.
- Enhanced ESG disclosures to improve transparency.
- Developed green lending programs to support environmentally friendly projects.

Partnerships and Transparency

We collaborate with organizations like Rabobank, the **dfcu** Foundation (formerly ADC), and the Rising Woman initiative to expand our sustainability impact. We maintain transparency and accountability through stakeholder dialogues, and independent audits.

Green and Sustainable Finance Initiatives

dfcu has introduced green loans, sustainability-linked financing, and targeted SME funding for environmentally friendly businesses. We are increasing our allocation to renewable energy, climate-smart agriculture, and financial inclusion projects. Over 15% of **dfcu** lending supports the ESG agenda, and we expect this to rise to 25% by 2026.

Support for SMEs and ESG Risk Integration
We offer specialized loans, technical assistance, and capacity-building initiatives to support SMEs in adopting sustainable practices. ESG risk assessments are embedded into our credit underwriting and client due diligence processes.

Balancing Profitability and Sustainability

dfcu integrates ESG considerations into risk-return assessments, ensuring that sustainable investments are financially viable.

Social Impact and Financial Inclusion

dfcu focuses on gender-inclusive financing, youth empowerment, and rural financial services. The **dfcu** Foundation has provided agribusiness training, improving farmer incomes and productivity. The Women in Business program and Rising Woman initiative support female entrepreneurs. Financial literacy helped non-performing loans among women-led businesses reduce by 15%.

Key financial inclusion milestones in 2024:

- **Financial Literacy Impact** – A 15% reduction in Non-Performing Loans (NPLs) among women-led businesses, demonstrating how targeted education improves loan repayment.
- **Gender-Inclusive Financing** – Expanding Women in Business & Rising Woman Initiatives to boost female entrepreneurship.
- **Rural & SME Banking Expansion** – Supporting underserved communities with tailored products.

Employee Well-Being and Building Sustainability Awareness:

We closely monitor various aspects of our workforce, including demographics, turnover rates, training investments, and the effectiveness of diversity programs.

Alongside this, we implement wellness programs, training, and professional development initiatives to ensure our employees thrive.

We also implement various sustainability awareness efforts, which are ongoing across all departments and are projected to be completed by the end of 2025. These initiatives will allow us to set specific sustainability goals that directly align with each domain's operational roles within the bank.

Environmental Stewardship and Climate Resilience

dfcu monitors energy consumption, emissions, and waste reduction efforts. We are actively reducing our carbon footprint through office greening, renewable energy adoption, and waste management practices.

Climate Risk Management and Green Finance

We are working towards long-term emissions reduction and exploring net-zero strategies. ***dfcu*** *integrates climate risk into its business strategy and follows the Taskforce on Climate Financial Disclosures (TCFD) recommendations. We fund climate-smart agriculture, renewable energy, and circular economy projects.*

We plan to continue expanding our green loans, ESG-linked bonds, and sustainable investment initiatives.

Strengthening ESG Governance and Ethical Banking dfcu is improving board-level ESG oversight and aligning with global best practices. Our policies include anti-corruption measures, ESG disclosures, and transparent reporting.

Strengthening ESG Governance

- Sustainability now has Board-level oversight with a dedicated committee.
- Compliance with global ESG standards – UNEP-FI, GRI, and Ugandan banking regulations.
- Anti-corruption & fair lending policies integrated into risk management.

Wealth Creation

As one of the largest financial institutions in the market, we continue to honour our commitment to driving Uganda's growth. Through our financing activities, we support financial inclusion and promote the growth of key economic sectors in line with the government's national development plan. The numbers below demonstrate our social, economic, and environmental impact in all areas that touch and influence our clients, government, shareholders, employees, and communities:

	2024		2023	
	Ushs M	% age of wealth created	Ushs M	% age of wealth created
Interest income	361,566	502%	349,664	285%
Fee and commission income	66,529	92%	65,403	53%
Other income	26,810	37%	34,087	28%
Interest paid	(90,228)	(125%)	(78,335)	(64%)
Operating expenses	(292,664)	(406%)	(248,003)	(202%)
Wealth Generated	**72,013**	100%	**122,816**	**100%**

Business Continuity Management

Continuity of critical business operations is vital to **dfcu** Group's success and continued growth. Our Business Continuity Management Steering Committee, which includes several representatives of corporate and senior management, provides overall guidance to the Business Continuity Planning (BCP) Committee, which comprises senior officers representing the Group's essential business and service units.

The BCP Committee developed a formal Business Continuity Plan in accordance with the requirements and guidelines of the Bank of Uganda (BOU), which the Board formally approved. The plan addresses operational risks and strives to minimise any threats posed by shortcomings or failures of internal processes and systems and external events, including natural disasters.

As **dfcu** relies heavily on information technology, we have established disaster recovery sites at remote locations and conducted periodic role swap exercises to test our ability to withstand any disaster situation. These exercises aim to identify issues in switching machines and minimise downtime and data loss.

Procurement

dfcu subscribes to openness, integrity, and fairness principles in its drive to implement best practices in international procurement. We endeavour to give as many suppliers as possible an opportunity to tender. The Group is committed to excellent corporate governance and a very high standard of ethics. In general,

dfcu supports the purchase of goods and services on the local market. Whereas the Group applies standard procurement terms and conditions to all procurements, the Group strongly encourages the protection of the environment and considers suppliers' commitment to environmental issues.

Our influence on the local economy goes beyond direct jobs and payment of wages and taxes. **dfcu** Group also proactively supports local suppliers in the economy. By supporting local businesses in the supply chain, we attract additional investment to the local economy. The proportion of local spending is also significant in contributing to the local economy and maintaining community relations. Our procurement policy prioritises local suppliers while ensuring alignment with the Group's standards for solution quality, sustainability, and commercial viability.

		2024	2023
Total procurement spend	Shs M	138,184	131,604
Amount spent on local suppliers	Shs M	130,762	121,075
Amount spent on foreign suppliers	Shs M	7,422	10,529
Percentage spent on local suppliers		95%	92%

Our Employees

dfcu employed 1,301 employees (2023: 1,140), of which 51% are female (2023: 51%). The Group ensures that all its people train at least once a year to enhance skills and productivity. The Group spent a total of Shs 2,038 million (2023: Shs 1,216 million) on training staff.

	2024	2023
Total employees (number)	1,301	1,140
Total staff costs (Shs M)	96,777	88,805
Staff composition (Female: Male)	51% : 49%	51% : 49%
Staff training spend (Shs M)	2,038	1,216

Financial enablement for staff

Through our employee value proposition, we enable staff to acquire homes and finances for personal development. As of 31 December 2024, the total advances to employees amounted to Shs 35,876 million (2023: Shs 34,088 million). There was no credit to employees that was neither past due nor impaired.

	2024		2023	
	Number of staff	Shs M	Number of staff	Shs M
Staff personal development loans	1818	21,867	737	17,355
Staff home loans	87	14,009	117	16,733
Total	**1,905**	**35,876**	**854**	**34,088**

Performance measurement

To monitor an employee's contribution, **dfcu** Group developed a performance measurement tool with a cycle that involves goal setting, performance monitoring conversations, and performance reviews for the teams and all individuals. It's an inclusive, two-way process that creates feedback and considers the Group's future capability requirements, as well as personal development needs and aspirations. The performance measurement is done twice a year.

Staff Feedback:
***dfcu** Group has regular online surveys through which staff views, ideas, and value-adding input are sought. This is done to track and evaluate progress made in identified employee work-related challenges and risks. In addition, each department is allocated a human resource business partner to help coordinate the difficulties identified by employees in that department.*

Talent management and succession planning

dfcu Group's people management philosophy is to build its talent pool to support its growth progressively. Branch successor pools, including Branch Managers, Credit Managers, Credit Administrators, and Branch Operation Managers, are updated and approved by management. Development interventions for the identified staff are incorporated into the training budget and plan.

Stakeholder Engagement

Throughout the year, the bank's leadership actively engaged with key stakeholders, focusing on building and nurturing strategic relationships. A central priority was gaining a deeper understanding of stakeholder needs to develop tailored solutions that align with their expectations and objectives.

Future Outlook and Commitments

OUR 5-YEAR ESG COMMITMENTS

Looking ahead, **dfcu** is committed to:

- Strengthening community focused engagement.
- Scaling sustainable finance - increasing green lending, ESG algned investments and responsible credit.
- Embeding sustainability within the culture and business strategy internally.
- Enviromental and social risk management.
- Enhancing corporate governance practices.
- Sustainability reporting.

TOP PRIORITIES FOR 2025

Our top priorities for 2025 include:

- Strengthening and scaling up green finance and ESG-aligned lending.
- Expanding climate resilience initiatives.
- Enhancing ESG reporting and compliance to meet global standards.
- Embedding a sustainability-first culture across all domains.
- Reduce our carbon footprint.

Conclusion: *The Road Ahead*

dfcu's 2024 sustainability strategy highlights a clear commitment to responsible banking, ESG-driven growth, and positive societal impact. By aligning financial performance with sustainable development, **dfcu** is ensuring long-term business resilience while contributing to Uganda's socio-economic transformation.

*At **dfcu**, sustainability is not just a policy but a fundamental principle guiding our operations and strategy. Sustainability is our ability to positively influence environmental, social, and economic development through robust governance practices and a strong market presence.*

Helena Mayanja
Head Corporate Affairs & Sustainability

07 Governance and Compliance

CORPORATE GOVERNANCE STATEMENT

dfcu continues to enhance its Corporate Governance practices and procedures to support the Board's commitment to high standards of corporate governance. The Corporate Governance report contains the governance framework of dfcu, the governance activities of the dfcu entities and the Board Committee Reports of dfcu Limited (the "Company").

*2024 was a pivotal year for **dfcu** as we celebrated 60 years of existence and continued the implementation of our five-year strategic plan with a focus on enhancing the revenue base and facilitating sustainability throughout the group.*

Strategic alignment across the **dfcu** group continues to be an area of engagement for a seamless experience. We ensure that our offering to our stakeholders reflects the entire **dfcu**'s approach to strategy implementation, which is premised on customer experience, technology, and sustainability. This will demonstrate **dfcu**'s commitment to continue Going Further, Together beyond the 60 years of existence we were privileged to celebrate in 2024.

Other key areas included succession planning and participation in the changes being made to the regulatory landscape.

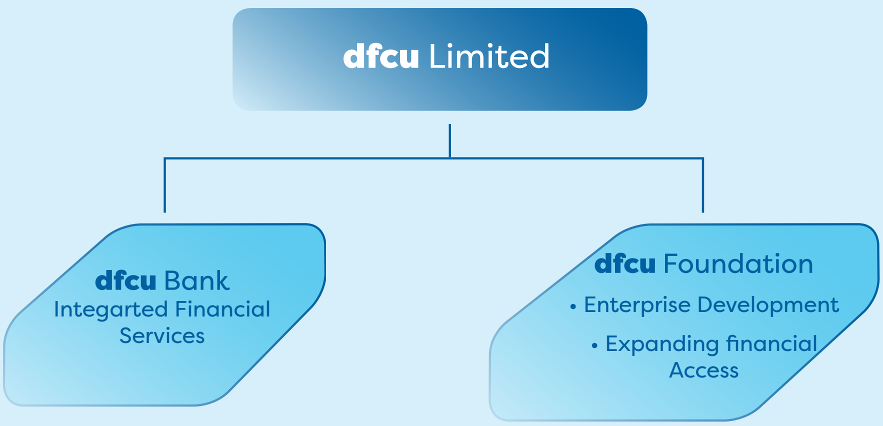
Good Corporate Governance is essential in the promotion of transparency, accountability fair dealing and the protection of stakeholder interests which contribute to the successful implementation of a company's strategy. The Board and Management of **dfcu** are confident that the renewed agility shall enable the delivery of our commitments to our stakeholders.

This report provides insight into the Company's governance activities, for the financial year ended 31st December 2024.

OUR CORPORATE AND GOVERNANCE STRUCTURE

dfcu group comprises **dfcu** Limited (the holding company), **dfcu** Bank, and **dfcu** Foundation, collectively working together to serve the Ugandan market. **dfcu** Limited is listed on the Uganda Securities Exchange with 3835 shareholders as at 31st December 2024.

The Directors are ultimately responsible for the direction, management, performance and long-term sustainable success of the Company. The Board sets strategic objectives and oversees and monitors internal controls, governance and viability of the strategic plan. The Board has established committees to assist in fulfilling its oversight responsibilities, providing dedicated focus on areas.



To adhere to governance requirements, each entity has a dedicated Board of Directors, ultimately accountable to Shareholders. The Board is responsible for strategy implementation, management oversight, performance evaluation, and ensuring the company's long-term sustainability. Throughout the year, these Boards have actively guided and supported Management, fostering sustainable value through informed, collaborative, and responsible decision-making. **dfcu** values Board diversity and remains committed to driving shareholder value by engaging directors with a broad spectrum of expertise and experience, as detailed on page 22 of the Annual Report.

Codes and Regulations

On 1st July 2024, the 7th Revised Edition of the Principal Laws of Uganda became effective, incorporating various legal amendments and updating the citations of the laws accordingly.

The Board is dedicated to the continuous enhancement of its corporate governance principles, policies, and practices by staying informed about evolving regulations and industry best practices. This commitment is further strengthened through engagements with Regulators and Stakeholders. **dfcu** prioritizes a culture of compliance and the adoption of best practices, making compliance monitoring a vital function across all entities within the **dfcu** group, guided by the mandates of each operational framework.

This structured approach ensures each entity operates within a well-defined governance framework, upholding legal, ethical, and sustainable business practices. Apart from matters explicitly designated for Shareholders under the law and the governance documents, the Board of Directors holds full responsibility for overseeing and managing the Company's operations, ensuring compliance with regulatory, legal, ethical, and sustainable business practices. The Company filed its annual compliance statement with the Capital Markets Authority and the Uganda Registry Services Bureau.

The key operating frameworks include:

dfcu Limited

- Capital Markets Authority Act Cap 64, and all regulations thereunder
- Capital Markets Corporate Governance Regulations 2025
- Uganda Securities Exchange Listing Regulations 2025
- Companies Act Cap 106 and all regulations thereunder
- Memorandum and Articles of Association
- King IV Report

dfcu Bank

- Financial Institutions Act Cap 57, and all regulations thereunder
- Companies Act Cap 106, and all regulations thereunder
- Mortgage Act Cap 239, and all regulations thereunder
- Stamp Duty Act Cap 339, and all regulations thereunder
- Data Protection and privacy Act Cap 97, and all regulations thereunder
- Insurance Act Cap 191, and all regulations thereunder
- Anti-Money Laundering Act Cap 118, and all regulations thereunder
- Anti-Terrorism Act Cap 120, and all regulations thereunder
- Supervision Circulars and Guidance Notes

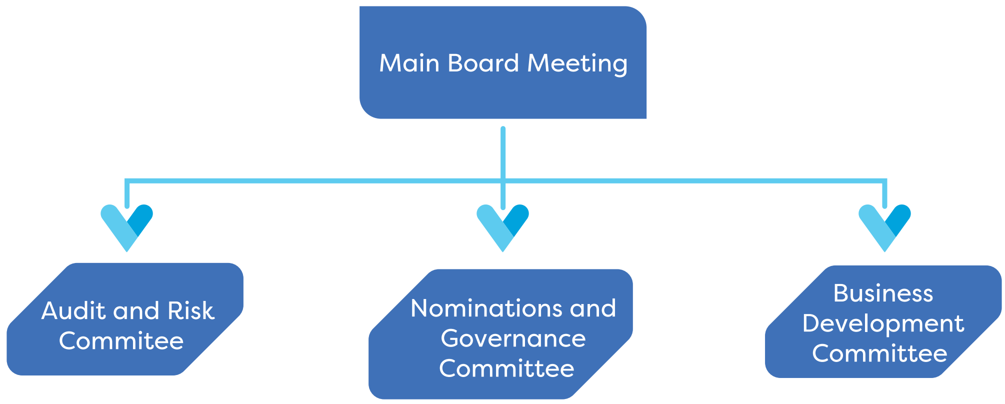
dfcu Foundation

- Companies Act Cap 106, and all regulations there under
- Memorandum and Articles of Assocaition

CORPORATE GOVERNANCE STATEMENT

dfcu Limited Structure

The Board relies on three dedicated Committees to support the fulfilment of its responsibilities. Each Committee undergoes a biennial review of its Terms of Reference to ensure compliance with legal requirements and alignment with best corporate governance practices. These Committees present informed recommendations to the Board to facilitate effective decision-making



BOARD GOVERNANCE

The Board of Directors of each of the entities within **dfcu** group is comprised of members with diverse skills and experience as indicated in the subsequent pages.

A. **dfcu** LIMITED

Board Composition and Expertise

During the year under review, **dfcu** Limited's Board of Directors comprised six (6) Non-Executive Directors, as highlighted on page 109 of the Annual Report. These esteemed professionals, drawn from diverse sectors, bring valuable expertise and experience that enhance the Board's decision-making process, as outlined below.

The Board remains dedicated to providing constructive challenge and an external perspective on the business. Abridged biographies of each Director can be found on page 22, while the skills matrix below presents a comprehensive overview of the Non-Executive Directors' expertise across key areas as of December 31, 2024.

Director	Skills and Experience													
	Audit and Accounting	Finance	Business Development	Capital Markets	Corporate Governance	Legal	Risk management	Strategy	Marketing	Stakeholder & Public Relations	Information Technology and Innovation	Taxation	ESG	Human Resource Management
Mr. Jimmy Mugerwa *(Chairperson)*		●	●	●	●		●	●	●	●			●	●
Mr. Kironde Lule	●	●			●		●							
Mr. Friedrich Christian Pelser	●	●	●		●		●	●						
Dr. Aminah Zawedde		●	●		●		●	●			●			●
Ms. Arimi Barbra Teddy			●	●	●			●	●	●				●
Mr. Francis Gimara SC				●	●	●	●	●		●		●	●	●

Board Meetings

Meetings of the Board are held quarterly both physically and virtually. During the year, the Board of Directors held six (6) scheduled quarterly meetings and other special meetings to discuss urgent matters. The Board comprised the following persons, whose attendance of the scheduled meetings during the year 2024 was as follows:

Main Board		
Members	**6**	**Scheduled Meetings - 6**
Members	**Designation**	
Mr. Jimmy Mugerwa *(Chairperson)*	Board Chairman	6
Mr. Kironde Lule	Chairman, Audit and Risk Committee	6
Mr. Friedrich Christian Pelser	Chairman, Nominations and Governance Committee	6
Ms. Arimi Barbra Teddy	Chair, Business Development Committee	5
Dr. Aminah Zawedde	Director	5
Mr. Francis Gimara SC	Director	5

CORPORATE GOVERNANCE STATEMENT

Mandate
The dfcu Board of Directors is composed of accomplished and highly skilled professionals dedicated to maintaining exemplary standards of corporate governance. While shaping the company's overall objectives and guiding the Management team, the Board remains ultimately accountable to Shareholders for organizational performance, entrusting Management with the execution of strategic plans. A key focus is ensuring the company meets its governance, social, and regulatory obligations while adapting to an evolving business environment. To uphold regulatory compliance, industry best practices, and emerging developments, the Board's Terms of Reference undergo periodic reviews. These terms define the roles and responsibilities of the governing body and its committees, which are instrumental in effective oversight and decision-making. Serving as the strategic and oversight authority, the Board acts on behalf of shareholders to drive long-term success. Its primary responsibilities include setting the company's vision and strategy, assessing management performance, and protecting shareholder interests. The Board retains authority over key governance matters, ensuring oversight at the highest level. These include strategic direction, risk appetite, medium-term planning, capital and liquidity strategies, risk management frameworks, reputational considerations, and the approval of financial statements, major transactions, and dividend distributions. For day-to-day operations, the Board delegates responsibilities to the General Manager, who is supported by the Senior Executive team of the broader dfcu Group, ensuring effective execution of strategic objectives while maintaining accountability.
Separation of the Role of the Chairman and Executive Officers There is a clear separation of the roles and responsibilities of the Board Chairman and the General Manager of the Company. The day-to-day management of the operations of dfcu Limited is conducted by a General Manager appointed by the Board. The General Manager is responsible for effectively implementing the Company strategy and reports to the Board. The Chairman provides leadership to the Board in the execution of its mandate.
Appointment of Directors The appointment of the Board of Directors and External Auditors remains the exclusive responsibility of Shareholders, who hold the Board accountable for maintaining effective corporate governance. Under the Articles of Association, the Board has the authority to appoint directors to expand its composition or fill casual vacancies. These appointed directors are then subject to election at the next Annual General Meeting, ensuring a structured and transparent process for Board composition and governance In selecting directors, the Company prioritizes individuals of high integrity who possess a strong commitment to the sectors in which it operates. Non-Executive directors of **dfcu** Bank Limited follow a similar appointment process but, as required by law, must receive approval from the Bank of Uganda. This approval involves a rigorous vetting process to assess their suitability before the issuance of a formal no-objection to their appointment by the Bank of Uganda.
Combined Skills: These are highlighted on page 30 of the report
Growth and Leadership As part of enhancing the directors' capabilities to execute their stewardship oversight role over the company, various training sessions were organized in alignment with our 2024 strategic focus. The Directors participated in a series of comprehensive training sessions aimed at enhancing their governance capabilities. Training was undertaken in the areas of risk management, compliance, and strategic governance. The trainings included Risk Culture, Governance – Role and Responsibilities of the Board, Role of the Board in Providing Compliance Oversight for the Risk & Control Self-Assessment Program, AML Training (Regulatory), Diligent, ICAAP Training These training sessions reflect our commitment to continuous improvement and excellence in governance. By investing in the development of our Board members, we ensure that they are well-equipped to navigate the complexities of the financial services industry and uphold the highest standards of corporate governance.
Treatment of Conflict of Interest Before each meeting, the Board Chair asks members to declare any potential conflicts related to the agenda items. If a conflict is identified, the affected director is excused from deliberations on that matter. This practice is also followed in Committee meetings, and if a majority of Committee members have a conflict, the issue is referred to the full Board for discussion. Throughout the year, all identified conflicts have been carefully assessed by the Board, ensuring that the directors' independence remains uncompromised.

Board Committees

The Board committees assist the Board in the discharge of its duties and responsibilities. There are three Board committees, two of which are statutory committees.

To ensure focused attention on key aspects of the Company's operations, the Board delegates certain functions to specialised Committees, which provide recommendations for Board consideration. Each Committee operates under defined terms of reference outlining its roles and responsibilities, ensuring structured decision-making. Clear communication channels between the Board and its Committees facilitate effective oversight and governance.

The Board actively monitors these responsibilities to maintain comprehensive control over the Company's operations. All matters not addressed by the Committees are deliberated by the full Board. The composition of the Board Committees and directors' attendance at meetings during 2024 were as follows:

Audit and Risk Committee	
Members	3
Scheduled Meetings	6
Member	**Meetings Attended**
Mr. Kironde Lule	6
Mr. Friedrich Christian Pelser	6
Dr. Aminah Zawedde	6

Combined Skills:

- Audit and Accounting
- Finance
- Risk Management
- Information Technology
- Strategy

Committee Mandate

Safeguard the integrity of financial reporting and audits by supporting the Board in overseeing financial disclosures, internal controls, risk management, and audit operations.

Nominations and Governance Committee	
Members	3
Scheduled Meetings	4
Member	**Meetings Attended**
Mr. Friedrich Christian Pelser	4
Ms. Arimi Barbra Teddy	4
Mr. Francis Gimara SC	4

Combined Skills:

- Human Resource Management
- Corporate Governance
- Legal and Taxation
- Capital Markets
- Strategy
- Stakeholder and Public Relations

Committee Mandate

Ensure the effective selection and nomination of skilled Board members and leadership team capable of guiding the company. Oversee succession planning, evaluate Board performance, and monitor corporate governance practices to uphold accountability and strategic oversight.

Business Development Committee	
Members	3
Scheduled Meetings	4
Member	**Meetings Attended**
Ms. Arimi Barbra Teddy	4
Dr. Aminah Zawedde	4
Mr. Jimmy Mugerwa	3

Combined Skills:

- Business Development
- ESG
- Strategy
- Marketing
- Capital Markets

Committee Mandate

Foster business growth and secure long-term sustainability by identifying new opportunities, formulating strategic plans, and enhancing the Company's competitive edge.

CORPORATE GOVERNANCE STATEMENT

COMMITTTEE REPORTS

A. Directors Report: *Board Audit and Risk Committee Report*

Mr. Kironde Lule

Chair, Audit & Risk Committee

The Board Audit and Risk Committee plays a crucial role in maintaining the independence and effectiveness of the company's internal controls and external audit functions.

This report highlights the Committee's responsibilities and contributions during the financial year ended 31st December 2024.

The Audit and Risk Committee, established by the Board of dfcu Limited, is responsible for:

1. Reviewing and overseeing the integrity of the Company's financial statements, regulatory reports, and any price-sensitive disclosures.
2. Addressing significant matters arising from audits and discussions with external auditors, including sessions held without management.
3. Reporting concerns to the Board when financial reporting does not meet expectations.
4. Providing annual recommendations to Shareholders regarding the appointment of external auditors. KPMG were appointed by the Shareholders at the last Annual General Meeting as the external auditors for the year 2024.
5. Conducting periodic assessments of the external audit process, ensuring the auditors' independence and effectiveness.
6. Evaluating the appropriateness of the Company's ethics and whistle-blowing policies.

Risk Management

dfcu Limited's Audit and Risk Committee is responsible for overseeing the company's risk management framework, ensuring that risks are identified, assessed, and mitigated effectively. The company has established a robust framework aimed at safeguarding its strategic objectives and stakeholder interests.

The Board and management team conduct continuous evaluations of key risks, implementing appropriate controls and contingency measures to address emerging challenges.

This proactive approach enhances the company's resilience and ability to navigate uncertainties in the financial and regulatory landscape.

Risk Identification and Assessment

- The company employs a structured approach to identify potential risks that may impact operations, financial performance, and regulatory compliance.
- Risks are categorized based on severity and likelihood, ensuring a targeted response.

Mitigation and Control Measures

- The Board and management implement proactive controls, policies, and contingency plans to minimize risk exposure.
- Internal audits and compliance reviews are conducted regularly to ensure adherence to risk management protocols.
- The Committee evaluated and endorsed the internal audit plan while assessing the effectiveness of measures designed to strengthen the internal control environment. Through this process, the Committee maintains oversight of business process risks and control mechanisms.

Regulatory Compliance and Oversight

- The Audit and Risk Committee monitors evolving regulatory requirements, ensuring Risk Identification and Assessment.
- The company employs a structured approach to identify potential risks that may impact operations, financial performance, and regulatory compliance.

Confirmation of Audited Financial Statements

The Committee received and is satisfied with the confirmation of independence that was provided by KPMG while undertaking the audit for the year 2024.

Committee Membership

The Committee consists of Non-Executive Directors selected to provide financial expertise and commercial insight. Members possess substantial experience in banking, financial services, general management, and commercial sectors, ensuring well-informed decision-making. The biographies of Committee members are detailed in the Annual Report.

To safeguard the independence of the Audit Committee chairperson, does not serve as a member of any other committee. The Committee assists the Board with discharging its responsibility to develop and maintain effective internal control systems, safeguard the company's assets and maintain adequate accounting records.

Key Highlights for the year 2024

During the financial year ended 31st December 2024, the Committee considered several important matters, including:

a) The Company's financial performance. The Group realized an actual profit of UGX 35.39 billion, surpassing its budgeted target of UGX 29.24 billion.

b) Appointment of M/S HLB ROBERTS as the internal auditor for a three-year term to enhance compliance. Previously, this role was undertaken by the External Auditor.

c) Review of the Risk Framework and defining key actions for continually mitigating the risks

d) Approving the risk policies to be implemented by the Company.

e) Reviewed and approved the internal audit plan.

f) Reviewed the financial statements for the year ended 31st December 2024 that are being recommended by the Board to the Shareholders for approval.

B. Directors Report: *Board Nominations and Governance Committee Report*

Mr. Friedrich Christian Pelser

Chair, Nominations & Governance Committee

The dfcu Limited Nominations & Governance Committee ("the Committee") report outlines the key activities undertaken in 2024 in alignment with its Board-approved Terms of Reference.

In 2024, the Committee prioritized maintaining a well-balanced and capable leadership structure across the Board, Committees, and Management team. This focus included ensuring that individuals possess the necessary skills, experience, industry knowledge, and diversity of thought to drive the company's strategic objectives effectively.

Additionally, the Committee placed significant emphasis on robust succession planning, ensuring leadership continuity and stability. By proactively identifying and preparing future leaders, the Committee supports the long-term success and strategic execution of the company's vision.

Recognizing the importance of governance in achieving strategic goals, the Committee ensures that the Board embraces diverse perspectives, transparency, and accountability. It supports management in setting and meeting performance targets while maintaining a high-performing and fairly compensated team to drive long-term sustainable results for all stakeholders.

The Committee is responsible for several critical governance functions, including:

a) Succession Planning: Ensuring a structured rotation schedule for the Board of Directors and Senior Management, in compliance with the Company's Articles of Association.

b) Board and Management Appointments: Identifying and recommending nominees for positions on the Board and within Senior Management.

c) Director Performance Evaluation: Assessing the effectiveness of Directors in fulfilling their roles

d) Staffing Assessments: Evaluating the adequacy of human resource requirements within the Company.

e) Training and Development: Organizing activities and programs that enhance Board members' knowledge in emerging areas.

f) Board Independence: Ensuring that the majority of Directors remain independent, fostering balanced decision-making.

Governance Compliance

Strong corporate governance drives performance, mitigates risk, and supports the Company's long-term success, ultimately benefiting our stakeholders. The Board remains dedicated to upholding high governance standards, continuously refining and advancing the Company's governance framework and structure in alignment with best practices.

The Company submitted a compliance statement to the Company Registry and the Capital Markets Authority, demonstrating adherence to corporate governance standards outlined in Table F of the Companies Act, Cap 106, and Regulation 4(3) of the Capital Markets Authority (Corporate Governance) Regulations S1 No. 15 of 2025. A twelve-month compliance period has been set for all listed companies under these regulations.

Committee Membership

The Committee consists of Non-Executive Directors, whose profiles are detailed in the Corporate Governance Statement section of the Annual Report. In 2024, Mr. Francis Gimara SC joined the Board, and the Committee welcomes his expertise in driving the Company's vision and strategy.

During the year, the Committee accomplished the following:

1. **Leadership Transition:** Recruited Ms. Sophie Achak as the new General Manager, succeeding Mr. George Ochom.
2. **Reviewed Board Skills Matrix:** The Committee assessed the Board's skills matrix and engaged with several potential individuals who could enhance its value. As a result, a diverse pool of directors with various expertise has been established, providing the Board with a resource to draw upon as needed.
3. **Remuneration of the Directors:** The Committee assessed the Directors' fees and determined that they should remain unchanged for 2025, considering the Company's scale and operational structure.
4. **Appraissal:** Performance appraisals were conducted for the management team to evaluate their achievement of set goals. Performance management remains a vital tool for assessing the executive leadership of the Company.
5. **Board Evaluation:** After a comprehensive evaluation process, the Committee nominated and recommended Dorion Associates as the external evaluation consultant to conduct the Board evaluation. Additionally, the Committee is responsible for ensuring that the Board and its Committees implement the actions resulting from the evaluation. It also supported the Board in assessing various aspects of its performance.

CORPORATE GOVERNANCE STATEMENT

The 2024 Board Evaluation was structured around four (4) foundational pillars, each critical to the effective functioning of the Board. These focus areas were assessed to gain a comprehensive understanding of the Board's performance and identify opportunities for continued enhancement:

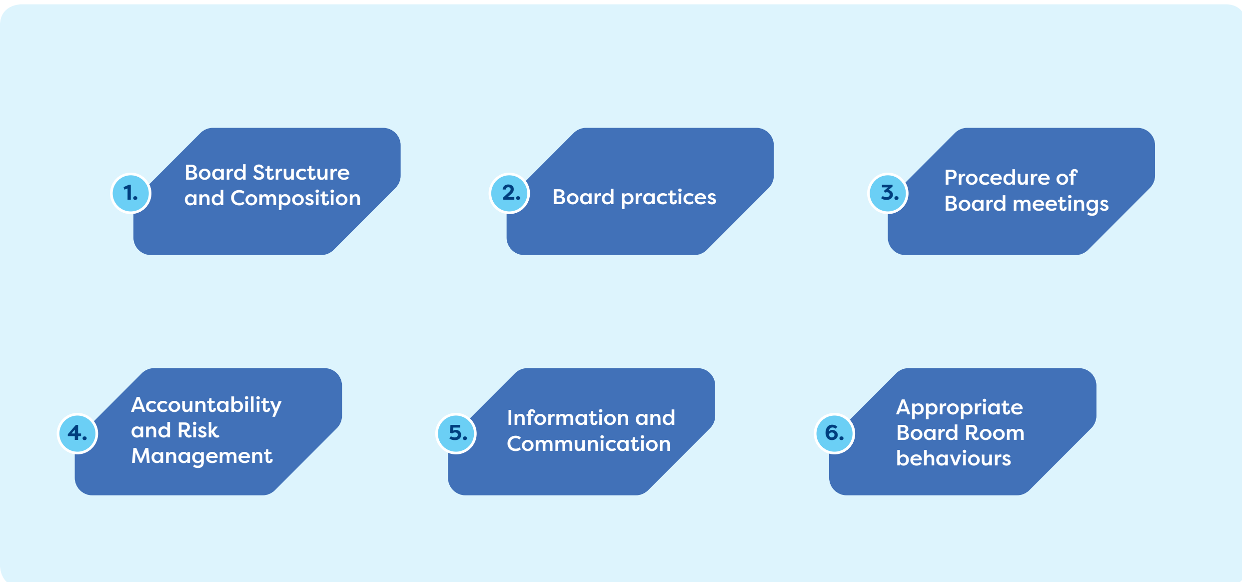
a. ***People:*** The composition of the Board significantly influences its overall performance. The evaluation assessed whether the Board possesses the appropriate diversity in terms of skills, qualifications, technical expertise, relevant industry knowledge, and experience. The objective was to determine if the current mix of directors supports the effective discharge of the Board's mandate.

b. ***Work:*** A clear understanding of roles, functions, and responsibilities essential for Board effectiveness. The assessment examined how well the Board and its committees fulfill their primary duties and the degree to which individual directors contribute to the achievement of the Board's objectives. This included evaluating strategic oversight, risk management, compliance, and stakeholder engagement.

c. ***Culture:*** Organizational culture, encompassing values, attitudes, and behaviours, plays a pivotal role in corporate governance. The evaluation explored the governance culture fostered by the Board, the quality of group dynamics, and the overall performance ethos. It also considered the extent to which the behaviour of individual directors and committees supports cohesive and effective Board operations.

d. ***Structures and Procedures:*** Effective governance depends on robust structures and well-defined procedures. The evaluation reviewed the adequacy and efficiency of the Board's frameworks, including the conduct of meetings, decision-making processes, and the implementation of governance policies. This pillar focused on whether existing systems facilitate transparency, accountability, and informed oversight.

The aforementioned pillars were the basis against which the assessment was undertaken across the following six parameters below:



C. Directors Report: *Business Development Committee Report*

Ms. Arimi Barbra Teddy

Chair, Business Development Committee

The Business Development Committee was established by the Board to oversee strategy implementation and business growth, ensuring alignment with the Company's Vision, Mission, and strategic priorities.

In fulfilling this mandate, the Committee is entrusted with the following key functions:

a. ***Strategic Execution:*** Driving the implementation of the Board's fiduciary, strategic, and generative plans, policies, and decisions.

b. ***Product and Business Development:*** Evaluating proposals for new products and business lines, overseeing their development, and making recommendations for Board approval.

c. ***Market Advisory:*** Providing management with insights into projected market trends and evolving customer needs to support strategic decision-making.

Committee Activities and Achievements

Throughout the year, the Committee remained proactive in reevaluating strategic initiatives that will reinforce the Company's long-term business objectives. Key focus areas included assessing emerging opportunities, evaluating potential investments, and refining business expansion strategies to strengthen the Company's competitive position.

The successful execution of the Company's growth strategy is contingent upon the evolving regulatory framework for financial holding institutions. Once enacted, this framework will influence how holding companies operate in Uganda. The Company continues to actively engage with the Bank of Uganda, contributing proposals that define the permissible scope of activities for holding companies.

Future Outlook & Priorities

The Business Development Committee remains committed to fostering sustainable growth, building strategic partnerships, and capitalizing on emerging opportunities. The focus continues to centre on innovation, efficiency, and collaboration which are key drivers of long-term success and stakeholder value.

To reinforce the Company's competitive advantage, the Committee will prioritize the following core areas:

a. ***Service Expansion:*** Identifying and pursuing opportunities to extend market presence, leveraging data-driven insights to target high-growth sectors.

b. ***Product Innovation:*** Enhancing financial solutions through continuous improvements and digital transformation investments, ensuring alignment with evolving customer needs.

c. ***Stakeholder Engagement:*** Strengthen relationships with both existing and potential investors and partners to foster business growth and unlock strategic collaborative opportunities and foster business growth.

*With a **forward-looking strategy**, the Business Development Committee will remain focused on driving initiatives that promote growth and deliver lasting value to shareholders by fostering innovation, enhancing operational efficiencies, and leveraging emerging trends to sustain long-term success.*

CORPORATE GOVERNANCE STATEMENT

B. **dfcu** BANK

Board Composition

During the year under review, the Board of Directors of **dfcu** Bank Limited comprised of Eight (8) Non-Executive Directors as indicated on page 30 of the Annual Report.

Ms Grace Makoko, a Non-Executive Director resigned in June 2024 from the Board of **dfcu** Bank Limited. The shareholders, directors, management and staff of **dfcu** Bank Limited thank her for the contribution made towards the foundation.

The Board of Directors of **dfcu** Bank appointed Ms. Millie Nkaja and Mr Njuguna George as a Non-Executive Directors on 14th October 2024 and 20th September 2024 respectively to fill vacancies on the Board.

The Board of Directors consists of the following esteemed professionals from various industries, bringing a diverse set of skills and extensive experience. Their collective expertise strengthens the Board's decision-making process, ensuring well-informed and strategic governance as set below:

Member	Designation	Strategy	Banking & financial services	Legal & Regulatory	Risk Management	Business knowledge/ experience	Policy development	Financial Information management and performance	Executive management	People/ Organizational dveleopment	Previous Board experience	Stakeholder engagement	Regional/ International business experince
Dr. Winifred Mary Tarinyeba Kiryabwire	Board Chair	●	●	●	●	●	●	●	●	●	●	●	●
Albert Jonkergouw	Non Executive Director	●	●		●	●	●	●	●	●	●	●	●
Stephen John Caley	Non Executive Director	●	●		●	●	●	●	●	●	●	●	●
Mark William Springett	Non Executive Director	●	●	●	●	●	●	●	●	●	●	●	●
Dr. Danete Higgins Zandamela	Non Executive Director	●	●	●	●	●	●	●	●	●	●	●	●
Dr. Jeff Sebuyira-Mukasa	Non Executive Director	●	●		●	●	●	●	●	●	●	●	●
George Njuguna Kamau	Non Executive Director	●	●		●	●	●	●	●	●	●	●	
Millie Nkaja	Non Executive Director	●	●		●	●	●	●	●	●	●	●	
Charles Mwanyara Mudiwa	Executive Director	●	●	●	●	●	●	●	●	●	●	●	●
Kate K. Kiiza	Executive Director	●	●		●	●	●	●	●	●	●	●	

Board Engagements

Meetings of the Board are held physically and virtually. The Board meetings are held on a quarterly basis. The Board of Directors of **dfcu** Bank held the following mandatory meetings during the year, in addition to other special meetings that were held to discuss urgent matters.

Board Meeting		
Members		**9**
Scheduled Board Meetings		**6**
Member	**Designation**	**Board Meetings Attended**
Dr. Winifred Mary Tarinyeba	Board Chair	6
Stephen Caley	Non Executive Director	6
Albert Jonkergouw	Non Executive Director	4
Grace Makoko	Non Executive Director	4
Mark Springett	Non Executive Director	6
Dr. Danete Zandamela	Non Executive Director	6
Dr. Jeff Sebuyira-Mukasa	Non Executive Director	6
George Njuguna	Non Executive Director	1
Millie Nkaja	Non Executive Director	1

Board Committees

dfcu Bank Limited Board delegated its authority to seven (7) Board Committees whose composition and role is as follows:

Remuneration Committee

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to human capital, and more specifically to provide oversight over the human capital affairs of the Bank so as to ensure that the Bank has in place an optimal organizational structure and appropriate policies to attract, retain and motivate staff needed to run the business successfully while at the same time retaining equity in the management of such staff.

The Committee's members for the year 2024 were Dr. Jeff Sebuyira-Mukasa, Mr Albert Jonkergouw and Mr. Steve Caley

Members	5
Scheduled Meetings	4
Member	**Meetings Attended**
Stephen Caley	4
Albert Jonkergouw	4
Jeff Sebuyira-Mukasa	4
George Njuguna	1
Millie Nkaja	1

Audit Committee

The Committee is a statutory committee of the Bank to assist the Board in fulfilling its oversight responsibilities with respect to the effectiveness of the internal and external audit functions, internal controls, operating procedures and systems, management information systems, financial reporting, general operations of the Bank and practices in relation to insider transactions.

The Committee members for the year 2024 were Mr. Mark William Springett, Dr. Danete Higgins Zandamela, Ms Millie Nkaja and Mr George Njuguna.

Members	3
Scheduled Meetings	6
Member	**Meetings Attended**
Grace Makoko	2
Mark Springett	6
Danete Zandamela	6

Risk Committee

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the identification, measurement, monitoring, and treatment of key risks within the Bank to ensure that they support the Bank's business strategy.

The Committee members for the year 2024 were Dr. Jeff Sebuyira-Mukasa, Mr Mark Springett, Mr Steve Caley and Mr George Njuguna.

Members	5
Scheduled Meetings	4
Member	**Meetings Attended**
Stephen Caley	4
Mark Springett	2
Jeff Sebuyira-Mukasa	4
George Njuguna	1
Millie Nkaja	1

CORPORATE GOVERNANCE STATEMENT

Committee	Purpose		
Credit Committee	The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities on credit operations in line with the Bank's credit strategy. The Committee members for the year 2024 were Dr. Danete Higgins Zandamela, Dr Jeff Mukasa Sebuyira and Ms Millie Nkaja	**Members**	4
		Scheduled Meetings	4
		Member	**Meetings Attended**
		Grace Makoko	2
		Mark Springett	4
		Danete Zandamela	4
		Jeff Sebuyira Mukasa	2
Nominations and Governance Committee	The Committee's purpose is to assist the Board in fulfilling its oversight responsibilities with respect to: (a) Corporate governance systems and practices for the Board's overall stewardship responsibility and the discharge of its obligations to the stakeholders of the Bank. (b) Board appointments/re-appointments and to ensure that the Board and its Committees have an appropriate balance of skills, experience, independence, and knowledge of the Bank to enable them to discharge their respective responsibilities effectively. In 2024, the Committee was comprised of Mr. Albert Jonkergouw, Dr. Danny Zandamela and Mr Steve Caley.	**Members**	3
		Scheduled Meetings	4
		Member	**Meetings Attended**
		Stephen Caley	4
		Albert Jonkergouw	4
		Danete Zandamela	4
Assets and Liabilities Committee	The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to: a. The establishment of effective asset and liability management policies for the Bank. b. The establishment of key business performance indicators for the Bank, regularly reviewing performance against such indicators. c. Ensuring that the Board is fully aware of the framework of the Bank's balance sheet structure by setting polices and guidelines for the Bank's tolerance for risk and expectation from investment. The Committee members for the year 2024 were Dr. Danete Higgins Zandamela, Mr Steve Caley and Ms Millie Nkaja.	**Members**	5
		Scheduled Meetings	4
		Member	**Meetings Attended**
		Stephen Caley	4
		Grace Makoko	2
		Danete Zandamela	4
		George Njuguna	1
		Millie Nkaja	1
Technology Digital and Operations Committee	The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities to provide strategic oversight, guidance and direction on matters related to technology infrastructure digital initiatives, data management and operational efficiency within the Bank More specifically the committee shall ensure that Technology, Digital, Data and Operations functions align with the Bank's overall strategic objectives, regulatory obligations and risk appetite a. Providing recommendations and insights to the Board to ensure the Bank effectively leverages technology, digital and data stra b. Strategies and operational efficiencies to support its mission and strategic objectives c. Provide oversight for strategic project execution The Committee members for year 2024 were Mr. Steve Caley, Mr. Albert Jonkergouw, Mr. Mark William Springett and Mr George Njuguna.	**Members**	5
		Scheduled Meetings	4
		Member	**Meetings Attended**
		Stephen Caley	4
		Albert Jonkergouw	4
		Mark Springett	3
		George Njuguna	1
		Millie Nkaja	1

Separation of the Role of the Chairman and Executive Officers

The Managing Director/ Chief Executive Officer is responsible for the day-to-day leadership of the Company's business affairs and ensures the execution of the long-term objectives and Board strategy. The Chairperson's primary role is to guide and ensure that the Board is effective in implementing the Bank's strategy.

C. **dfcu** FOUNDATION

The Foundation operates under the governance of its Board of Directors, with program oversight provided by an Advisory Committee consisting of four representatives from founder institutions. Due to its streamlined operations, no committees were established.

Board Composition and Attendance		
Members		**4**
Scheduled Board Meetings		**4**
Member	**Designation**	**Board Meetings Attended**
Paul Van Apeldoorn	Board Chair	4
James Ssemwanga	Non Executive Director	4
Kate Kiiza Kabaingi	Non Executive Director	3
Josephine Mukumbya	Non Executive Director	4
Ms Mable Nandawula was appointed as Executive Director of the Foundation following the resignation of Ms Josephine Mukumbya.		

Mandate	The Board of Directors consists of the following esteemed professionals from various industries, bringing a diverse set of skills and extensive experience. Their collective expertise strengthens the Board's decision-making process, ensuring well-informed and strategic governance.
Skills Matrix	
The selection of the Foundation's directors was driven by a strong focus on key areas of agribusiness, aimed at advancing its social impact objectives, including enhancing the bankability of agribusiness ventures. Below are the Board's essential skills.	

Member	**Designation**	**Strategy**	**Agribusiness**	**Account in and Finance**	**Risk Management**	**Business knowledge/ experience**	**Research management & coordination**	**Project Management**
Paul Van Apeldoorn	Board Chair	●	●	●	●	●	●	●
James Ssemwanga	Non Executive Director	●	●		●	●	●	●
Kate Kiiza Kabaingi	Non Executive Director	●		●	●		●	●
Josephine Mukumbya	Non Executive Director	●	●	●	●	●	●	●

The shareholders, directors, management and staff of dfcu foundation appreciate Ms Josephine Mukumbya for her contribution towards the Company.

On the 31st of December 2024, Rabo Foundation exited the membership of the dfcu Foundation but formally committed to continue as a funding partner. dfcu Foundation continues to be a subsidiary of dfcu Limited.

CORPORATE GOVERNANCE STATEMENT

REMUNERATION

Non-Executive Directors of the Company receive fixed fees for their services on the Board and its Committees. The fees comprise of an annual retainer and sitting allowance, which are approved by the Shareholders at the Annual General Meeting. Non-Executive Directors do not receive short term incentives, nor do they participate in any long-term incentive schemes. For the year 2024, the directors' total remuneration was as shown below:

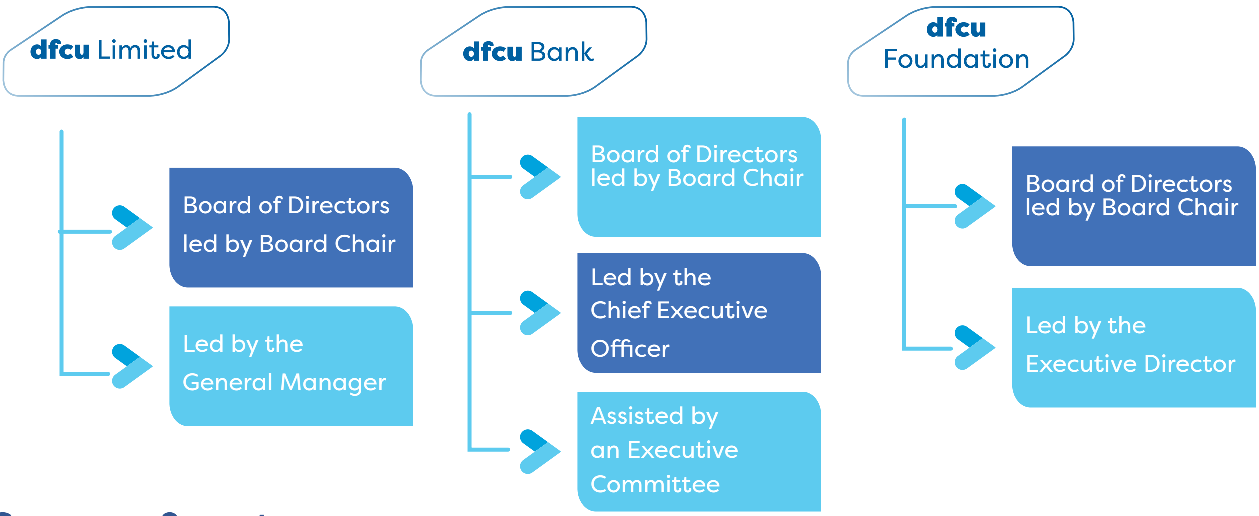
	2024	2023
	UshsM	**UshsM**
Fees for services as directors	2,362	2,263
Other emoluments: short-term benefits (included in key management compensation)		
	2,362	**2,263**

MANAGEMENT

The employment terms for the Management team and employees of dfcu are structured to align with the Ugandan legal framework governing employment. Remuneration is primarily determined by executed contractual agreements and structured within the remuneration framework approved by the respective Boards.

Management of **dfcu**

The Management structure of the Company and the entities within **dfcu** are clearly segregated and in each case, has been structured in a manner that takes cognizance of the volume and complexity of the operations of the respective entities. The essence of ensuring separation of powers is to promote accountability, facilitate division of responsibilities, as well as ensure a balance of power and authority such that no one individual has unfettered powers of decision making.



Company Secretary

The Company Secretary ensures that the Company complies with the statutory requirements and that the Board procedures are followed and regularly reviewed. The Company Secretary also supports in following up on the implementation strategies and actions which the Board has entrusted with the Management team. This ensures that the Company Secretary is a compliance and good corporate governance champion in the fabric of **dfcu**. The Company Secretaries for the year ended 31st December 2024 were:

a) **dfcu** Limited: Ligomarc Advocates;

b) **dfcu** Bank Limited: Mrs. Angelina Namakula-Ofwono;

c) **dfcu** Foundation Limited: Shonubi Musoke and Co. Advocates

Ms. Angelina Namakula Ofwono's tenure at **dfcu** Bank ended on December 31, 2024. The shareholders, directors, management, and staff of **dfcu** Bank Limited extend their sincere appreciation to Ms. Ofwono for her valuable contributions to the organization.

BOARD FOCUS AREAS IN 2024:

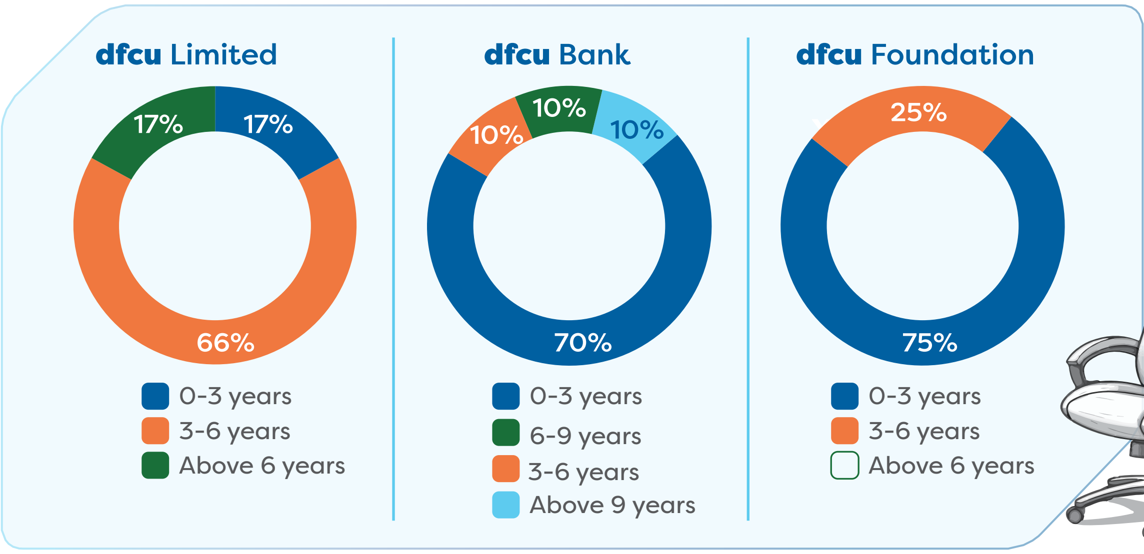
a. Succession Planning

Succession planning remained a key focus of Board discussions throughout the year, encompassing both Board leadership and the Executive function. The Board conducted an evaluation of skills composition and tenure, ensuring alignment with the organization's long-term strategy.

As some directors near the completion of their tenure or approach retirement, the Board prioritizes continuity through proactive succession planning. This approach ensures that evolving skill requirements are accounted for, supporting the group's strategic vision while maintaining leadership stability.

The analysis of Board members' tenure is provided below, while a detailed breakdown of their skills can be found on pages 111 and 116 respectively of this report.

Tenure of Directors



b. Strategy and Brand Refresh

In 2024, we initiated a review of our five-year strategy to refine and realign it with shifting market trends, evolving client expectations, and competitive dynamics. Through this process, we identified transformational outcomes designed to unlock additional growth opportunities, with a strong emphasis on expanding Financial Services.

The implementation of **dfcu**'s group-wide strategy is closely tied to the holding company regulations currently being developed by the Bank of Uganda. Once adopted, these regulations will impact **dfcu** Limited's operating structure. Although they are not yet finalized, the Board, through Management, continues to engage in ongoing discussions to navigate potential implications.

To ensure alignment of the **dfcu** brand across all the **dfcu** entities, the Agribusiness Development Centre changed its name to **dfcu** Foundation. It further expanded its mandate to include expansion of financial access in addition to Enterprise Development, and further, in alignment with the **dfcu** Group brand.

c) Digital Transformation, Cybersecurity, and Data Utilization

As the principal trading entity of **dfcu** Limited, **dfcu** Bank remains committed to enhancing customer service and maintaining a competitive edge in the financial sector. To achieve this, the bank is prioritising advancements in digital infrastructure, positioning itself as a data-driven, technology-focused institution.

In 2024, **dfcu** Bank recorded a 37% increase in digital transactions, demonstrating substantial progress in its digital transformation.

Ongoing investment in cutting-edge technology remains essential to improving customer experience and incorporating emerging innovations such as artificial intelligence. The bank has also reinforced security measures through multi-factor authentication, end-to-end data encryption, and regular security audits, ensuring robust protection of digital operations.

CORPORATE GOVERNANCE STATEMENT

A key focus remains on staff education in cybersecurity and best practices, further strengthening **dfcu** Bank's reputation as a secure and dependable digital banking partner.

d) Formulation of Polices

To align with the Company's evolving business environment, a structured process for developing various business policies has been established. These policies are being implemented in phases to ensure compliance with the dynamic legal landscape impacting the Company.

e) Board Evaluation

The annual Board evaluation is a critical mechanism for fostering accountability and transparency, offering a thorough review of the Board's effectiveness in fulfilling its governance responsibilities. In accordance with its mandate, the Board conducts annual assessments to evaluate its overall performance, including the effectiveness of its committees and individual directors.

In 2024, the evaluation was independently facilitated by Dorion Associates, a reputable corporate governance consultancy based in East Africa. The Board, through its Nominations and Governance Committee, engaged Dorion Associates to conduct the assessment. It is important to note that Dorion Associates is an independent firm with no prior affiliations to the Board of Directors of the Company. Notably, the same firm also conducted the Board evaluation for **dfcu** Bank.

The 2024 independent assessment concluded that the **dfcu** Board and its committees are composed of seasoned directors who effectively carry out their duties. The evaluation yielded highly positive feedback on the overall performance of the Board, with special recognition given to the Board committees and the Company Secretary as integral pillars of support.

Board members expressed satisfaction with the Board's overall performance, reflected in an aggregate rating of 76.40%. The Chairperson received a commendable performance rating of 85.80%. Additionally, Board members conveyed strong confidence in the effectiveness of the various committees, the collaborative relationship between the Board and management, and the valuable contributions of the Company Secretary.

Although no significant issues were identified, the evaluation outlined key actions aimed at enhancing the Board's efficiency, reaffirming its commitment to continuous improvement.

f) Appointment of the Registrar

The Board appointed Custody and Registrar Services as the Company's Share Registrar, effective 1st March 2025, succeeding Deloitte and Touche.

g) Update on the London Matter

During the year under review, the Company informed Shareholders through a statutory publication regarding the London matter. As the issue remains before the Court, the Company is not in a position to discuss further details.

OTHER FOCUS AREAS

Shareholder Engagements

The Board has commenced discussions on establishing a structured investor and stakeholder engagement plan. Requests have been received from institutional shareholders seeking representation on the Board. To balance regulatory and governance requirements with the Company's size, the Board is carefully evaluating the most effective approach to ensuring fair and equitable shareholder participation in corporate affairs.

At the last General Meeting on 11th July 2024, the Board convened an in-person meeting for the first time in three years. The AGM provided shareholders with the opportunity to make key decisions, ensuring the continued implementation of the company's governance, management, and operations. The company continues to encourage shareholders to update and verify their information with the Share Registrar and to immobilise their shares.

The Company deeply values the steadfast support of its Shareholders and remains committed to keeping them informed through timely publications. Following the release of half-year and full-year results, an investor note outlining the Company's performance was shared with all shareholders with known addresses. Additionally, this information, along with financial statements, was made available on the Company's website:

www.dfculimited.com.

To strengthen engagement, the Company hosted conference calls with select offshore shareholders and continues to prioritize prompt responses to investor inquiries. Shareholders can direct queries to **queries@dfcugroup**.com, where they are addressed by the General Manager, Company Secretary, or Registrar. Moving forward, the Board remains dedicated to enhancing structured engagement efforts with Shareholders.

Sustainability

dfcu is committed to conducting business responsibly and sustainably—both through its direct operations and the financing it provides. The Company has established a clear Environmental, Social, and Governance (ESG) framework that outlines its stance on ESG issues, policies, and procedures. This framework serves as a guide for identifying, assessing, managing, and monitoring ESG risks across all relevant activities.

dfcu adheres to applicable national laws and regulations while further committing to the adoption of the United Nations Environment Programme Finance Initiative (UNEP-FI) codes, standards, and industry best practices. Recognizing the pivotal milestones of the Paris Agreement on Climate Change and the ratification of the Sustainable Development Goals (SDGs), **dfcu** acknowledges that every country and business sector has a role to play in the transition toward a low-carbon economy.

The framework is being initiated in the bank as the major trading entity and shall subsequently be rolled out to the wider **dfcu.**

Dividends

The proposal for the final dividend payment for the financial year ending December 31, 2024, will be presented to shareholders for consideration at the upcoming Annual General Meeting on July 10, 2025. A significant portion of dfcu Limited's dividend is derived from dfcu Bank, with its distribution subject to regulatory approval by the Bank of Uganda.

Shareholders with unclaimed dividend payments are encouraged to reach out to the company's share registrars, Custody and Registrar Services (Uganda) Limited via email or telephone. Contact details for the share registrar can be found in the company information section on page 301.

To verify their claims, shareholders must provide valid identification, such as a national identity card, passport, or driver's license.

Additionally, shareholders who still hold physical share certificates are advised to transition to the Uganda Securities Exchange electronic system by consulting their licensed stockbroker or contacting C&R Registrars for assistance.

LOOKING AHEAD

The significant progress achieved in 2024 reinforces our confidence in executing our strategy effectively. We are accelerating financial delivery, moving decisively toward our mid-term targets—critical milestones in unlocking our growth potential. Recognizing the need to swiftly adapt to regulatory changes while ensuring compliance, we are well positioned to navigate the dynamic financial landscape with agility.

Additionally, we remain committed to driving digital transformation by investing in advanced technologies that enhance customer experience, optimize banking processes, and introduce innovative financial solutions, ensuring continued growth and competitiveness.

As we transition into 2025, dfcu stands well-positioned to navigate the evolving financial landscape. Bolstered by strong financial performance, disciplined risk management, and strategic agility, we have built a solid foundation for sustainable growth. Moving forward, adaptability and resilience will be key in overcoming macroeconomic and geopolitical uncertainties, ensuring continued progress and long-term stability.

The Capital Markets Governance Regulations introduced in 2025 have set forth new compliance requirements, which we plan to adhere to and incorporate into our next annual report.

Directors' report

The directors submit their report together with the audited consolidated and separate financial statements of **dfcu** Limited ("the Company") and its subsidiary, **dfcu** Bank Limited (together "the Group") for the year ended 31 December 2024, which disclose the state of affairs of the Group and of the Company. The parent company of the Group is **dfcu** Limited ("the Company"), which owns 100% of the ordinary shares of **dfcu** Bank Limited.

Principal Activities

The Group is engaged in the business of commercial banking and the provision of related services and real estate. The Bank (subsidiary) is licensed under the Financial Institutions Act 2004 (as ammended), Cap 57, Laws of Uganda. The Group's balance sheet closed at Ushs 3.429 trillion in 2024 (2023: Ushs 3.158 trillion), net loans and advances of Ushs 1.132 trillion (2023: Ushs 1.126 trillion) and customer deposits of Ushs 2.356 trillion (2023: Ushs 2.318 trillion).

Results and Dividend

The Group's profit for the year was Ushs 72.1 billion (2023: Ushs 28.7 billion). The directors recommend the payment of a final dividend for the year ended 31 December 2024 of Ushs 15,027 million (2023: Ushs 6,808 million) or Ushs 20.09 per share (2023: Ushs 9.10 per share).

Directors

During the financial year and up to the date of this report, other than as disclosed in Note 47 to the consolidated and separate financial statements, no director has received or become entitled to receive any benefit other than directors' fees and amounts received under employment contracts for executive directors. The aggregate amount of emoluments for directors' services rendered in the financial year is disclosed in Note 47 of the consolidated and separate financial statements.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Group is a party whereby directors might acquire benefits by means of the acquisition of shares in or debentures of the Group. The directors who held office during the year and to the date of this report are set out on pages 22 & 23.

Company Registrar

The registrar of the Company is Deloitte (Uganda) Limited located at the address below:

Plot 1 Lumumba Avenue
3rd Floor Rwenzori House
P. O. Box 10314
Kampala, UGANDA

Auditor

The Group's external auditor, KPMG, were appointed during the year and being eligible have expressed willingness to continue in office in accordance with Section 167(2) of the Companies Act, Cap 106 Laws of Uganda, and Section 62(1) of the Financial Institutions Act 2004 (as ammended) Cap 57, Laws of Uganda.

Issue of Consolidated and Separate Financial Statements

The consolidated and separate financial statements were approved and authorised for issue in accordance with a resolution of the directors dated 31 March 2025.

By order of the Board

Ligomarc Advocates
5th Floor Social Security House
Plot 4, Jinja Road
P. O. Box 8230
Kampala, Uganda

COMPANY SECRETARY
Date: 31 March 2025

Statement of directors' responsibilities

The Group's directors are responsible for the preparation of consolidated and separate financial statements set out on pages 138 to 287 that give a true and fair view of the consolidated and separate financial position of **dfcu** Limited, comprising the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of comprehensive income, consolidated and separate changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, which include a summary of material accounting policies in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and in the manner required by the Companies Act, CAP 106 Laws of Uganda and Financial Institutions Act 2004 (as amended) Laws of Uganda.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate 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 ability of the Group to continue as going concern and have no reason to believe that the business will not be a going concern for at least the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with the IFRS Accounting Standards and in the manner required by the Financial Institutions Act 2004 (as ammended) Cap 57, Laws of Uganda and Companies Act, CAP 106 Laws of Uganda.

Approval of the consolidated and separate financial statements

The consolidated and separate financial statements of **dfcu** Group, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on 31 March 2025.

....	....	....
Jimmy D Mugerwa - ***Director***	**Kironde Lule** - ***Director***	***Secretary, Ligomarc Advocates***

Date: 31 March 2025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08 Independent Auditor's Report

Independent auditor's report

To the members of dfcu Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of **dfcu** Limited ("the Group" and "the Company") set out on pages 138 to 287, which comprise the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of **dfcu** Limited as at 31 December 2024, it's consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Financial Institutions Act 2004 (as ammended) Cap 57, Laws of Uganda and Companies Act, CAP 106 Laws of Uganda.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Report on the audit of the consolidated and separate financial statements (continued)

Expected credit loss on loans and advances to customers in the consolidated financial statements
Refer to Notes 3(a), 5h(vii), 6B, 18 and 23 of the consolidated and separate financial statements

Key audit matter	How the matter was addressed in our audit
The net loans and advances to customers totalled Ushs 1,132 billion as at 31 December 2024 which represents 33% of total assets, after taking into account the expected credit loss (ECL) allowance amounting to Ushs 20,746 million. Management exercises significant judgement and applies subjective assumptions when determining both the timing and the amounts of the expected credit loss ("ECL") for the loans and advances to customers. Key areas of judgement and estimation included: - Assumptions used in the expected credit loss model such as the selection of forward looking macro-economic factors such as inflation and Consumer Price Index (CPI) to derive forecasted probability of defaults as well as the determination of probability weightings and the associated impact on ECL - The determination of significant increase in credit risk (SICR) which is based on qualitative and quantitative factors such as days past due and adverse economic conditions respectively. - The measurement of expected credit losses, is dependent upon key assumptions relating to Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) - Credit risk disclosures are significant as they rely on material data inputs and disclose management's judgement applied, estimates and assumptions used in determining the ECL, including management adjustments and sensitivity analyses.	Our audit procedures in this area included: - Performing a retrospective review of the estimate and evaluated the results to identify and assess the predictive capability of the model by comparing the prior period estimate with the actual results of the estimate in the current year. - Obtaining an understanding of the credit management processes and performing end to end process assessments to identify the key systems, applications and controls used in the determination of ECL. This included evaluating the design and implementation and operating effectiveness of the management review control over the ECL estimate provision. - Selecting a sample of facilities from the Group's loan book and evaluated whether loan facilities sampled are correctly staged/ classified by comparing the credit risk information for each facility against the Group's staging criteria for each stage of the Group; - Assessed the completeness and accuracy of inputs into the expected credit loss models by testing a sample of key data inputs such as the quarterly loan books, cost and time to realization of the sale of collateral, recoveries, collateral values to support documentation like facility agreements, loan account statements and valuation reports; - Testing the accuracy of the historical Probabilities of Default by performing recalculations based on the historical transitions. - Assessing the reasonableness of the LGD assumptions applied such as haircut adjustments by performing re-calculations and obtaining evidence for the parameters used in deriving the adjustments.

Independent auditor's report

To the members of dfcu Limited

Report on the audit of the consolidated and separate financial statements (continued)

Key audit matter	How the matter was addressed in our audit
This was an area of focus and considered a key audit matter due to the significant judgement applied by management on the impairment of loans and advances to customers.	- Evaluating the appropriateness of the forward-looking information used to determine the final forecasted PDs with the assistance of our internal financial risk management specialists by; • Testing the model's mathematical soundness by reperformance of PD and LGD calculations and recalculating the ECL on a sample of loans; and • Challenging key assumptions made by the Bank in determining forward looking information by involving our internal financial modelling specialist to assess the completeness of the macro-economic variables considered such as inflation rates and Consumer Price Index (CPI), the relationship and correlation between the bank's probability of default parameters and the macro-economic variables and probability weightings made to the economic scenarios. - Evaluating the appropriateness of the Group's significant increase in credit risk (SICR) criteria by assessing reasonableness of qualitative staging decisions such as the borrower's financial performance by reviewing latest financial reports submitted to the Group and correspondences between the borrower and the Group, and accuracy of quantitative staging criteria such as days past due by evaluating the repayment history and the last repayment date and re-aging sampled loans; - For a sample of credit facilities, reperforming the ECL calculations using the parameters – PD, LGD, and EAD and comparing the results with the final audited ECL results. - Evaluating the adequacy of disclosures in the consolidated and separate financial statements especially whether the credit risk disclosures, appropriately disclosed the key assumptions and judgements in determining the credit risk losses in accordance with IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments.

Other matter relating to comparative information

The consolidated and separate financial statements of **dfcu** Limited as at and for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 27 March 2024.

Independent auditor's report

To the members of dfcu Limited

Report on the audit of the consolidated and separate financial statements (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the ***dfcu*** *Limited Consolidated and Separate Financial Statements for the year ended 31 December 2024* but does not include the consolidated and separate financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's opinion and other information expected to be included in the **dfcu** Group Annual Report 2024, which is expected to be available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Directors' responsibilities for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards and in the manner required by the Financial Institutions Act, 2004 (as amended) Cap. 57, Laws of Uganda and Companies Act, Cap.106 Laws of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company'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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 our 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 our 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.

Independent auditor's report

To the members of dfcu Limited

Report on the audit of the consolidated and separate financial statements (continued)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (continued)

- 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 Group's and Company'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 Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report

To the members of dfcu Limited

Report on other legal and regulatory requirements

As required by the Companies Act, CAP 106 Laws of Uganda, we report to you, solely based on our audit of the consolidated and separate financial statements, that:

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
ii. In our opinion, proper books of account have been kept by the Group, so far as appears from our examination of those books; and
iii. The Group's consolidated and separate statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Stephen Ineget – P0401.

KPMG

Certified Public Accountants
3rd Floor, Rwenzori courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda

Date: 31 March 2025

CPA Stephen Ineget

09 Financial Report

Financial Definitions

Profit for the year	Annual statement of comprehensive income profit attributable to ordinary shareholders stated in Uganda Shillings.
Earnings per share	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue stated in Uganda Shillings.
Return on Equity (ROE)	Earnings as a percentage of ordinary shareholders' funds.
Return on Assets (ROA)	Earnings as a percentage of total assets.
Net Interest Margin (NIM)	Net interest income as a percentage of average earning assets.
Cost to income ratio	Operating expenses as a percentage of total operating income.
Credit Loss Ratio	Provision for credit losses per the Statement of Comprehensive Income as a percentage of gross loans and advances.
Effective Tax Rate	The income tax charge as a percentage of profit before tax.
Dividend per share	Total ordinary dividends declared per share in respect of the year.
Core capital	Permanent shareholder equity in the form of issued and fully paid up shares plus all disclosed reserves, less goodwill or any other intangible assets.
Supplementary capital	General provisions which are held against future and current unidentified losses that are freely available to meet losses which subsequently materialize, and any other form of capital as may be determined from time to time by Bank of Uganda.
Total capital	The sum of core capital and supplementary capital.
Core capital ratio	Core capital divided by the total risk weighted assets.
Total capital ratio	Total capital divided by the total risk weighted assets.
Credit Impairment Charge	The amount by which the period profits are reduced to cater for the effect of credit impairment expressed in Uganda Shillings.
Lending Ratio	Net loans and advances divided by total deposits expressed as a percentage.
Non-Performing Assets	Loans and advances that are in arrears for more than 90 days.
Non-interest income	Revenue earned from fees and commissions.
Net interest income	Net Revenue derived from interest bearing assets and liabilities.
Risk weighted assets	On-balance sheet and off-balance sheet exposures, weighted according to perceived risk levels.

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Financial Statements:

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Note	2024 Ushs M	2023 Ushs M
Interest income calculated using the effective interest method	9(a)	359,868	346,824
Other interest and similar income	9(b)	1,698	2,840
Interest expense calculated using the effective interest method	10	(94,269)	(91,978)
Net interest income		**267,297**	**257,686**
Fees and commission income	13	66,529	65,403
Net trading and other income	11	24,901	19,823
Net income from other financial instruments at FVTPL	12	1,909	14,264
Net total income		**360,636**	**357,176**
Operating expenses	14	(292,664)	(248,003)
Fair value losses on other financial assets at fair value through profit or loss	27	(716)	(3,381)
Expected credit recovery/(loss) on financial assets	18	12,007	(82,714)
Profit before tax		**79,263**	**23,078**
Income tax (expense)/credit	20(a)	(7,176)	5,642
Profit after tax for the year		**72,087**	**28,720**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net loss on FVOCI financial assets net of tax	41	(6,353)	(11,052)
Changes in ECL on FVOCI financial instruments	41	1,294	(39)
Total other comprehensive income		**(5,059)**	**(11,091)**
Total comprehensive income for the year		**67,028**	**17,629**
Attributable to:			
Equity holders of the Company		67,028	17,629
Non-controlling interest		-	-
		67,028	17,629
Earnings per share:			
Basic earnings per share	19	96.35	38.39
Diluted earnings per share	19	96.35	38.39

All the profit after tax for the year, other comprehensive income and total comprehensive income are attributable to equity holders of the Company.

The accounting policies and notes on pages 146 to 287 form an integral part of these financial statements.

Company statement of comprehensive income

For the year ended 31 December 2024

	Note	2024 Ushs M	2023 Ushs M
Interest income calculated using the effective interest method	9	554	160
Interest expense calculated using the effective interest method	10	(1,587)	(1,942)
Net interest income		**(1,033)**	**(1,782)**
Fees and commissions	13	789	707
Dividend income	17(b)	13,615	12,257
Other income	11	7,128	6,931
Net total income		**20,499**	**18,113**
Operating expenses	14	(8,865)	(8,827)
Profit before tax		**11,634**	**9,286**
Income tax expense	20(a)	(1,091)	(2,346)
Profit for the year		**10,543**	**6,940**
Other comprehensive income:			
Profit for the year		10,543	6,940
Other comprehensive income		-	-
Total comprehensive income for the year		**10,543**	**6,940**

The accounting policies and notes on pages 146 to 287 form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2024

	Note	2024 Ushs M	2023 Ushs M
Assets			
Cash and balances with Bank of Uganda	21	434,817	530,176
Deposits and balances due from other banks	22	211,315	255,165
Government and other securities:			
Trading assets	26	73,724	18,288
Investment securities at FVOCI	25	582,723	597,222
Investment securities at amortised cost	25	728,018	371,415
Assets held for disposal	29(b)	832	29,089
Derivative financial instruments	45	2,064	228
Loans and advances to customers	23	1,132,199	1,125,816
Investment in equity shares	24	6,543	6,065
Other assets	27	33,619	29,791
Deferred income tax asset	31	87,859	65,226
Property, equipment and right-of-use assets	29(a)	80,362	83,208
Investment property	28	18,849	19,295
Intangible assets	30	36,148	27,142
Total assets		**3,429,072**	**3,158,126**
Liabilities			
Customer deposits	33	2,356,281	2,318,572
Derivative financial instruments	45	457	273
Deposits due to other banks	34	120,256	35,033
Other liabilities	35	88,101	72,155
Borrowed funds	37	149,482	84,137
Special funds	36	1,193	1,193
Current income tax payable	20(d)	4,685	542
Provisions	44(a)	4,364	2,188
Total liabilities		**2,724,819**	**2,514,093**
Equity			
Share capital	38	14,963	14,963
Share premium	38	185,683	185,683
FVOCI reserve	41	(3,859)	1,200
Retained earnings	40	488,743	427,310
Regulatory reserve	39	3,696	8,069
Proposed dividend	17(a)	15,027	6,808
Total equity		**704,253**	**644,033**
Total equity and liabilities		**3,429,072**	**3,158,126**

The consolidated and separate financial statements set out on pages 138 to 287 were approved and authorised for issue by the Board of Directors on 31 March 2025 and signed on its behalf by:

....	....	....
Jimmy D Mugerwa - *Director*	**Kironde Lule** - *Director*	*Secretary, Ligomarc Advocates*

The accounting policies and notes on pages 146 to 287 form an integral part of these financial statements.

Company statement of financial position

As at 31 December 2024

	Note	2024 Ushs M	2023 Ushs M
Assets			
Amounts due from Group companies	47(b)	2,092	4,558
Other assets	27	195	93
Current income tax recoverable	20(d)	745	677
Investment in subsidiaries	32	203,293	203,293
Investment property	28	36,595	38,043
Total assets		**242,920**	**246,664**
Liabilities and equity			
Liabilities			
Amounts due to Group companies	47 (a)	13,214	20,328
Other liabilities	35	2,777	3,162
Deferred income tax liability	31	311	291
Total liabilities		**16,302**	**23,781**
Equity			
Share capital	38	14,963	14,963
Share premium	38	185,683	185,683
Retained earnings	40	10,945	15,429
Proposed dividends	17(a)	15,027	6,808
Total equity		**226,618**	**222,883**
Total equity and liabilities		**242,920**	**246,664**

The consolidated and separate financial statements set out on pages 138 to 287 were approved and authorised for issue by the Board of Directors on 31 March 2025 and signed on its behalf by:

....	....	....
Jimmy D Mugerwa - ***Director***	**Kironde Lule** - ***Director***	***Secretary, Ligomarc Advocates***

The accounting policies and notes on pages 146 to 287 form an integral part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2024

	Note	Share capital	Share premium	Retained earnings	Regulatory reserve	FVOCI revaluation reserve	Proposed dividends	Attributabe to equity holders of the parent	Total
		Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
For the year ended 31 December 2023:									
As at 1 January 2023		14,963	185,683	413,467	-	12,291	6,129	632,533	632,533
Profit for the year		-	-	28,720	-	-	-	28,720	28,720
Loss allowance FVOCI	41	-	-	-	-	(39)	-	(39)	(39)
FVOCI revaluation	41	-	-	-	-	(11,052)	-	(11,052)	(11,052)
Transfer of regulatory reserve from retained earnings	39	-	-	(8,069)	8,069	-	-	-	-
Transactions with shareholders:									
Dividends paid		-	-	-	-	-	(6,129)	(6,129)	(6,129)
Proposed dividends	17(a)	-	-	(6,808)	-	-	6,808	-	-
As at 31 December 2023		**14,963**	**185,683**	**427,310**	**8,069**	**1,200**	**6,808**	**644,033**	**644,033**
For the year ended 31 December 2024:									
As at 1 January 2024		**14,963**	**185,683**	**427,310**	**8,069**	**1,200**	**6,808**	**644,033**	**644,033**
Profit for the year		-	-	72,087	-	-	-	72,087	72,087
Loss allowance FVOCI	41	-	-	-	-	1,294	-	1,294	1,294
FVOCI revaluation	41	-	-	-	-	(6,353)	-	(6,353)	(6,353)
Transfer of regulatory reserve to retained earnings	39	-	-	4,373	(4,373)	-	-	-	-
Transactions with shareholders:									-
Dividends paid	17(a)	-	-	-	-	-	(6,808)	(6,808)	(6,808)
Proposed dividends	17(a)	-	-	(15,027)	-	-	15,027	-	-
As at 31 December 2024		**14,963**	**185,683**	**488,743**	**3,696**	**(3,859)**	**15,027**	**704,253**	**704,253**

The accounting policies and notes on pages 146 to 287 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2024

	Note	Share capital Ushs M	Share premium Ushs M	Retained earnings Ushs M	Proposed dividends Ushs M	Total Ushs M
For the year ended 31 December 2023:						
At 1 January 2023		14,963	185,683	15,297	6,129	222,072
Profit for the year		-	-	6,940	-	6,940
Transactions with shareholders:						
Dividends paid	17	-	-	-	(6,129)	(6,129)
Dividends proposed	17	-	-	(6,808)	6,808	-
At 31 December 2023		**14,963**	**185,683**	**15,429**	**6,808**	**222,883**
For the year ended 31 December 2024:						
At 1 January 2024		**14,963**	**185,683**	**15,429**	**6,808**	**222,883**
Profit for the year		-	-	10,565	-	10,565
Transactions with shareholders:						
Dividends paid	17	-	-	-	(6,808)	(6,808)
Dividends proposed	17	-	-	(15,027)	15,027	-
At 31 December 2024		**14,963**	**185,683**	**10,945**	**15,027**	**226,618**

The accounting policies and notes on pages 146 to 287 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December

	Note	2024 Ushs M	2023 Restated Ushs M
Operating activities:			
Profit before tax		79,263	23,078
Adjustment for:			
Depreciation of property, equipment and right-of-use assets	29(a)	18,884	16,445
Depreciation of investment property	28	523	489
Amortisation of intangible assets	30	6,122	6,910
Unrealised foreign exchange (gain)/loss	11	(2,134)	633
Profit on disposal of fixed assets	11	(120)	(128)
Fair value losses on assets at fair value through profit and loss	27	716	3,381
Expected credit (recovery)/loss on financial assets	18	(12,007)	82,714
Gain/(loss) on sale of equity investments*		(124)	91
Interest income*	9	(361,566)	(349,664)
Interest expense*	10	94,269	91,978
Dividends income*		(353)	(729)
Reversals in provisions and employee benefits		(39,546)	(90,182)
Cash from operating activities before changes in operating assets and liabilities		**(216,073)**	**(214,984)**
Changes in operating assets and liabilities			
Increase in government and other securities		(346,157)	(66,261)
(Increase)/decrease in Bank of Uganda cash reserve requirement		(21,240)	15,690
Decrease in loans and advances to customers		13,118	258,064
(Increase)/decrease in other assets		(3,828)	11,497
Increase in balances due to other banks		85,223	26,521
Increase/(Decrease) in customer deposits		37,709	(92,021)
Increase in other liabilities		5,156	7,020
		(446,092)	**(54,474)**
Interest received*		361,123	347,145
Interest paid*		(85,101)	(95,357)
Income tax paid	20(d)	(23,498)	(22,428)
Net cash (outflows)/inflows from operating activities		**(193,568)**	**174,886**
Investing activities			
Purchase of property and equipment	29(a)	(16,332)	(25,041)
Purchase of intangible assets	30	(15,611)	(8,874)
Dividends received*		353	729
Proceeds from sale of equity shares*		826	1,375
Proceeds from sale of property and equipment		261	464
Net cash outflows used in investing activities		**(30,503)**	**(31,347)**
Financing activities			
New borrowings received	37	78,651	12,844
Principle paid on borrowings	37	(6,352)	(43,761)
Principle paid on lease liability	43	(2,493)	(4,384)
Dividends paid to shareholders	17	(6,808)	(6,129)
Net cash inflows/(outflows) used in financing activities		**62,998**	**(41,430)**
Net (Decrease) / increase in cash and cash equivalents		**(161,073)**	**102,109**
Effect of exchange rate changes on cash and cash equivalents held		624	(147)
Cash and cash equivalents at start of year		574,521	472,559
Cash and cash equivalents at end of year	**46**	**414,072**	**574,521**

*The prior year comparative balances for interest received, interest paid, dividends received, loss and proceeds from sale of shares have been reclassified from cash flows from operating activities to different classes in order to align to the presentation requirement of IAS 7 and correct a prior year presentation error. Refer to note 52 for details of the impact of the change.

The accounting policies and notes on pages 146 to 287 form an integral part of these financial statements.

Company statement of cash flows

For the year ended 31 December

	Note	2024 Ushs M	2023 Restated Ushs M
Operating activities:			
Profit before tax		11,634	9,286
Adjustment for:			
Depreciation of investment property	28	1,535	1,578
Unrealised foreign exchange loss	11	12	67
Interest income	9	(554)	(160)
Interest expense	10	1,587	1,942
Dividend income	17(b)	(13,615)	(12,257)
Reversals in provisions and employee benefits		(342)	(1,221)
Cash from operating activities before changes in operating assets and liabilities		**257**	**(765)**
Changes in operating assets and liabilities			
(Decrease)/increase in amounts due to group companies		(7,114)	4,186
Increase in other assets		102	9
Increase in other liabilities		37	44
		(6,718)	**3,474**
Interest income received*		554	160
Income tax paid	20(d)	(1,139)	(1,072)
Net cash inflows from operating activities		**(7,303)**	**2,562**
Investing activities			
Purchase of investment property	28	(87)	(75)
Dividends received	17(b)	13,615	12,257
Net cash outflows used in investing activities		**13,528**	**12,182**
Financing activities			
Principle paid on borrowings	37	-	(4,467)
Interest paid on borrowings	37	-	(491)
Interest expense paid*		(1,897)	(568)
Dividends paid to shareholders	17	(6,808)	(6,129)
Net cash outflows used in financing activities		**(8,705)**	**(11,655)**
Net (decrease) / increase in cash and cash equivalents		**(2,480)**	**3,089**
Effect of exchange rate changes on cash and cash equivalents held		14	(11)
Cash and cash equivalents at start of year		4,558	1,480
Cash and cash equivalents at end of year	**46**	**2,092**	**4,558**

*The prior year comparative balances for interest received which was Ushs 160 million has been presented separately in cash flows from operating activities. Interest paid which was Ushs 568 million has been reclassified from cash flows from operating activities to financing activities in order to align to the changes in presentation in the current period and correct a prior year presentation error. Refer to note 52 for details of the impact of the change.

The accounting policies and notes on pages 146 to 287 form an integral part of these financial statements.

Notes to the consolidated and separate financial statements

1 General information

dfcu Limited ('the Company') is incorporated in Uganda under the Companies Act of Uganda as a public limited liability company and is domiciled in Uganda. Some of the Company's shares are listed on the Uganda Securities Exchange (USE). The Company is domiciled in Uganda and the address of its registered office is:

Plot 26 Kyadondo Road
P.O. Box 2767
Kampala, Uganda

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

2. Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with and comply with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Financial Institutions Act, 2004 (as ammeneded) Cap 57, Laws of Uganda and Companies Act, CAP 106 Laws of Uganda. They were approved and authorised for issue by the Company's board of directors on 31 March 2025. Details of the Group's accounting policies are included in Notes 4 and 5.

The consolidated and separate financial statements are presented in Uganda Shillings (Ushs), which is the Group's functional currency. All amounts have been rounded to the nearest million (Ushs M), unless otherwise indicated.

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies included in Note 4 and 5.

The preparation of the consolidated and separate financial statements in conformity with IFRS Accounting Standard requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated and separate financial statements, are disclosed in note 3.

The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 7.

3. Material accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

3. Material accounting judgements, estimates and assumptions (continued)

In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

a) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time ECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Refer to Note 5(I) for further information on determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

b) Going concern

The Group's directors have made an assessment of its ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Notes to the consolidated and separate financial statements (continued)

3. Material accounting judgements, estimates and assumptions (continued)

c) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

For further details about determination of fair value please see Note 6E.

d) Effective Interest Rate (EIR) method

The Group's EIR method recognises interest income using a rate of return that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated creditimpaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Refer to note 5(a) for further information on the Group's policy.

e) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although in Uganda tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies. Refer to Note 5(L) for further information on recognition of deferred tax assets.

f) Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory assessments, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosers in its financial statements.

3. Material accounting judgements, estimates and assumptions (continued)

f) Provisions and other contingent liabilities (continued)

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

For further details on provisions and other contingencies see Note 44.

g) Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

h) Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Group's functional currency).The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

4. Changes in significant accounting policies

a) New accounting standards, amendments and interpretations

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

4. **Changes in significant accounting policies (continued)**

a) **New accounting standards, amendments and interpretations (continued)**

i) **Amendments to IAS 1 Classification of Liabilities as Current or Non-current**

The Group has adopted the amendments to IAS 1, published in January 2020, for the first time in the current year. The amendments 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 Group does not have liabilities with covenants that are impacted by the amendments in this standard.

ii) **Amendments to IAS 1—Non-current Liabilities with Covenants**

The Group has adopted the amendments to IAS 1, published in November 2022, for the first time in the current year. 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 did not have an impact on the Group's statement of financial position, which is presented in order of liquidity.

4. Changes in significant accounting policies (continued)

a) New accounting standards, amendments and interpretations (continued)

iii) Supplier Finance Arrangements-Amendments to IAS 7 and IFRS 7

In May 2023, the International Accounting Standards Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. With the amendments, the IASB has introduced new disclosure requirements in IFRS Standards to enhance the transparency and, thus, the usefulness of the information provided by entities about supplier finance arrangements. The disclosure requirements in the amendments enhance the current requirements and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers. As a result, supplier finance arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the original payment due dates. The amendments did not have an impact in the Group's financial statements.

iv) Amendments to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The Group has adopted the amendments to IFRS 16 for the first time in the current year. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers 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. The Group did not have any sale and leaseback transaction during the year.

b) New and amended accounting standards and interpretations issued but not yet effective

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2024 and earlier applications is permitted. However, the Group has not yet adopted early the new and amended accounting standards in preparing these financial statements.

i) Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and measurement of Financial Instruments which amended IFRS 9 and IFRS 7. The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to;

- Settling financial liabilities using electronic payments system; and
- Assessing contractual cashflow characteristics of financial assets, including those with sustainability-linked features.

The Group is in the process of assessing the impact of the new amendments.

4. Changes in significant accounting policies (continued)

b) New and amended accounting standards and interpretations issued but not yet effective

ii) IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements;

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing and discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cashflows when presenting operating cash flows under the indirect method.

The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other".

iii) Other accounting standards

The Lack of Exchangeability (Amendments to IAS 21) is not expected to have a significant impact on the Group's financial statements.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies

The principal accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Consolidation

The consolidated financial statements comprise the financial statements of **dfcu** Limited and its subsidiary, **dfcu** Bank Limited as at 31 December 2024.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity (investee) and has the ability to affect those returns through its power over the entity. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

Separate financial statements

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

b) Operating income

i. Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

5. Material accounting policies (continued)

b) Operating income (continued)

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 5(i)(vii) and 6B.

iv. Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases.

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

b) Operating income (continued)

v. The Effective Interest Rate method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

c) Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income, which includes fees and commissions from ledger fees, money transfers, low balance fees, statement fees, unpaid cheques charges, URA licensing, ATM commissions, letters of credit fees, letters of guarantee, telegraphic transfer fees, and other fees and commissions- is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

5. Material accounting policies (continued)

c) Fees and commission (continued)

A contract with a customer that results in a recognised financial instrument in the Group's consolidated and separate financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not include multiple performance obligations.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer. More details on the various type of fees and commissions recognised in the scope of IFRS 15 are included in Note 13.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Contract balances
The following are recognised in the statement of financial position arising from revenue from contracts with customers:

- 'Fees and commissions receivables' included under 'Other assets', which represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.
- 'Unearned fees and commissions' included under 'Other liabilities', which represent the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Group performs.

d) Net trading and other income
'Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences, for financial assets and financial liabilities held for trading.

e) Net income from other financial instruments at fair value through profit or loss
Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

5. **Material accounting policies (continued)**

f) Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment. Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

g) Foreign currency translation

Items included in the consolidated and separate financial statements are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The consolidated and separate financial statements are presented in Uganda Shillings which is the Group's functional currency. Foreign currency transactions are translated into the functional currency at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

h) Financial assets and liabilities

i) Recognition and initial measurement

Date of recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated (e.g., Loans and advances to customers are recognised when funds are transferred to the customers' accounts and the Bank recognises balances due to customers when funds are transferred to the Bank).

All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or reduced by transaction costs that are directly attributable to its acquisition or issue respectively, for an item not at fair value through profit or loss. The fair value of a financial instrument at initial recognition is generally its transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

i. Recognition and initial measurement

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

ii. Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group 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 Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

- The Group 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 Group'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;

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

ii. Classification (continued)

- 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

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 RE 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 Group 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 Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group 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 Group 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.

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

ii. Classification (continued)

Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The Group applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Group 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 Group'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 Group will benefit from any upside from the underlying assets.

Contractually linked instruments

The Group has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

ii. Classification (continued)

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities
The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

iii. Derecognition

Financial assets
The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in (0). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group 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 Group 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.

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

iii. Derecognition (continued)

In certain transactions, the Group 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 Group 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 Group 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 Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv. Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, then the Group 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 Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for 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.

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

iv. Modifications of financial assets and financial liabilities (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 Group 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 Group 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.

Financial assets

If the terms of a financial asset were modified, then the Group evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

vi. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group 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 Group 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 Group 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 Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

5. **Material accounting policies (continued)**

h) **Financial assets and liabilities (continued)**

vi. **Fair value measurement (continued)**

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group 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 Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii. **Impairment**

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments as they are classified and measured at FVPL

The Group 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.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group 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 Group 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'.

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

vi. Fair value measurement (continued)

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 Group 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 Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables 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.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

vi. Fair value measurement (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group 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.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

vi. Fair value measurement (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;

- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the EGL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

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 Group 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 included in 'impairment losses on financial instruments' 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 Group's procedures for recovery of amounts due.

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

vi. Fair value measurement (continued)

Non-integral financial guarantee contracts

The Group 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 Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group 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 Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

Measurement of impairment

The Group calculates ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. Details are included in Note 6B.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. Details are included in Note 6B.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. Details are included in Note 6B.

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

vi. Fair value measurement (continued)

When estimating the ECL, the Group considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs, as set out in 6B.

When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Reversal of impairment

- For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.
- For debt security held at fair value through OCI (FVOCI): If in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Any subsequent recovery in the fair value of an impaired debt security at FVOCI was always recognised in OCI.

Presentation
Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on investment securities at FVOCI were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

vi. Fair value measurement (continued)

Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Group also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

vii. Designation at fair value through profit or loss

Financial assets

At initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial liabilities

The Group has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 7 sets out the amount of each class of financial asset or financial liability that has been designated as at FVTPL. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

vii. Designation at fair value through profit or loss (continued)

Ugandan Financial Institutions Act, 2004 (as ammended), Cap 57, Laws of Uganda requirements
In addition to the measurement of impairment losses on loans and advances in accordance with International Financial Reporting Standards as set out above, the Group is also required by the Financial Institutions Act, 2004 (as ammended), Cap 57, Laws of Uganda to estimate losses on loans and advances as follows:

i) A specific provision for those loans and advances considered to be non-performing based on criteria and classification of such loans and advances established by the Financial Institutions Credit Classification Regulations, 2005, as follows:

a) substandard assets with arrears period between 90 and 179 days – 20%;
b) doubtful assets with arrears period between 180 days and 364 days – 50%;
c) loss assets with arrears period over 365 days – 100%.

In addition to the arrears period, companies must follow subjective criteria in arriving at the classification attributable to the assets.

ii) A general provision of at least 1% of their total outstanding credit facilities net of specific provisions.

Where provisions for impairment of loans and advances determined in accordance with the Financial Institutions Act , 2004 (as ammended), Cap 57, Laws of Uganda exceed amounts determined in accordance with IFRS, the excess is taken to a regulatory reserve as an appropriation of retained earnings. Otherwise, the regulatory reserve is reduced to the extent that the provision for impairment determined in accordance with IFRS exceeds that determined in accordance with the Financial Institutions Act, 2004 (as ammended), Cap 57, Laws of Uganda and the amount taken back to retained earnings.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the charge for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

h) Financial assets and liabilities (continued)

ix. Staff loans

In the normal course of business, the Group advances loans to employees at below market rate. These loans are measured initially at fair value. The favourable loan term offered to employees are dependent on the continued employment and therefore relate to services to be rendered in future periods.

The interest benefit is forfeited if the employee leaves the Group. The benefit is a long term benefit to the employees and the discount arising from the difference between the nominal value and the market value is treated as a prepayment and expensed in profit or loss in the period in which the services are rendered.

i) Property, equipment and right-of-use assets

i. Recognition and measurement

Property and equipment is stated at cost excluding the costs of day–to–day servicing, net of accumulated depreciation and/or accumulated impairment losses, if any. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 derecognised.

ii. Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

5. Material accounting policies (continued)

i) Property, equipment and right-of-use assets (continued)

iii. Depreciation

Depreciation of owned assets is calculated using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

Building	**40 years**
Furniture, fittings and equipment	**6 – 7 years**
Computer equipment	**3 – 5 years**
Motor vehicles	**4 years**
Work-in-progress	**Not depreciated**

Leasehold improvements are amortised over the shorter of the estimated useful life of the improvements, and the remaining lease term.

Management and directors review the residual value and useful life of an asset at the year end and any change considered to be appropriate in accounting estimate is prospectively adjusted.

j) Intangible assets

i. Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Goodwill: that arises on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Software: acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate: that the product is technically feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it 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 any accumulated impairment losses.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

j) Intangible assets (continued)

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation

Intangible assets with finite lives are amortised over their useful economic lives using the straight line method and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. The estimated useful life of the Bank's software is 5 years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Amortisation methods, residual values and useful lives are reviewed at each reporting period and adjusted if appropriate.

iv. Derecognition

An item of intangible assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 profit or loss when the asset is derecognised.

k) Income tax

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 OCI.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. 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.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

k) Income tax (continued)

ii. Deferred tax

Deferred tax is recognised 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 recognised 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. Future taxable profits are determined based on business plans for the Group and the reversal of temporary differences. 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 realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from the distribution of dividends by the Group are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

iii. Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made. The Group considers IFRIC 23 Uncertainty over Income Tax Treatments in applying judgement for any open tax matters.

The consideration is of whether it is probable that the tax authority will accept an uncertain tax treatment. If the Group concludes that the position is not probable of being accepted, the effect of the uncertainty is reflected in the Group's accounting for income taxes.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

l) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk change in fair value, and are used by the Group in management of its short-term commitments. Cash and cash equivalents excludes the cash reserves requirement held with the central Bank.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

m) Employee benefits

(i) Retirement benefit obligations

The Group makes contributions to a defined contribution benefit scheme for its eligible employees. A defined contribution benefit scheme is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity (fund). The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Group and employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Group's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(iii) Other entitlements

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services; they exclude termination benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under a short-term cash bonus only if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and if the obligation can be measured reliably.

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

5. Material accounting policies (continued)

n) Leases

At inception of a contract, the Group 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 Group uses the definition of a lease in IFRS 16.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 28 Property, equipment and right-of-use assets and are subject to impairment in line with the Bank's policy as described in Note 5(v) - Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

5. Material accounting policies (continued)

n) Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents lease liabilities in 'other liabilities' in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

o) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated and company statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

p) Dividends

Dividends on ordinary shares are recognised as a liability and charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

q) Earnings per share

The Group 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 Group 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 which comprise share options granted to employees

5. **Material accounting policies (continued)**

r) Loans and advances

'Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and advances mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss; and
- finance lease receivables.

'Loans and advances' were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Group did not intend to sell immediately or in the near term.

Loans and advances to banks were classified as loans and receivables. Loans and advances to customers included:

- those classified as loans and receivables;
- those designated as at FVTPL; and
- finance lease receivables.

Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. When the Group chose to designate the loans and advances as measured at FVTPL as described in (J)(viii), they were measured at fair value with face value changes recognised immediately in profit or loss.

Loans and advances also included finance lease receivables in which the Group was the lessor.

s) Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments are initially measured at fair value. Subsequently, they are measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15; and

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

s) Financial guarantees and loan commitments (continued)

The Group has issued no loan commitments that are measured at FVTPL.

For other loan commitments:

- the Group recognises a loss allowance;

Liabilities arising from financial guarantees and loan commitments are included within provisions

Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are accounted for as off statement of financial position transactions and disclosed as contingent liabilities. Estimates of the outcome and financial effect of contingent liabilities is made by management based on the information available up to the date the consolidated and separate financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

t) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

u) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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 or CGU.

5. Material accounting policies (continued)

u) Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

v) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding.
When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's consolidated and separate financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at FVTPL.

Deposits and Borrowings are the Group's sources of debt funding.
Deposits and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest rate method.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

w) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

5. Material accounting policies (continued)

w) Provisions (continued)

i. Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

ii. Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

iii. Group levies

A provision for Group levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

x) Investment securities

The ‘investment securities’ caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- 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;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

5. Material accounting policies (continued)

x) Investment securities (continued)

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

y) Share capital and reserves

i. Share issue costs

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii. Retained earnings / accumulated losses

Retained earnings relates to accumulated prior year earnings/ losses adjusted for profit or loss for the year, proposed dividend and transfers to and from the regulatory credit risk reserves.

z) Proposed dividends

The process of proposing dividends to shareholders is governed by a structured policy to ensure transparency, compliance, and shareholder value maximization. Directors may propose dividends during the annual general meeting (AGM) based on available profits and strategic considerations, subject to rigorous assessment and regulatory approval.

The proposed dividends reserve represents amounts allocated from retained earnings for dividends that have been recommended by the board of directors but have not yet been formally declared and approved at the annual general meeting. The reserve reflects management's intention to distribute profits to shareholders, subject to shareholder approval, and is not available for distribution until such approval is obtained.

aa) Investment property

Property held for long term rental yields and not occupied by the Group is classified as investment property. A portion of the property at Plot 26 Kyadondo is occupied by the Company's subsidiary, **dfcu** Bank Limited, and is classified as property, plant and equipment in the consolidated and separate financial statements. The remaining portion is held for long term rental yields and is accounted for as investment property.

An investment property is defined under IAS 40, Investment property, as a property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation. Depreciation of investment property is calculated using the straight-line method over their estimated useful lives at a rate of 2.5%, and is recognised in profit or loss.

Notes to the consolidated and separate financial statements (continued)

5. Material accounting policies (continued)

aa) Investment property (continued)

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) 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. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any). 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 net carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

ab) Comparatives

Where necessary, the comparative figures have been adjusted to conform to changes in presentation in the current year. Refer to note 53 for details on where changes comparative information have been disclosed.

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management

The Group's financial assets are classified as amortised cost, fair value through profit and loss, and fair value through other comprehensive income and all financial liabilities are measured at amortised cost. The carrying amounts for each class of financial assets and financial liabilities are included in the table below;

Financial assets	Note	2024 Ushs M	2023 Ushs M
Amortised cost:			
Cash and balances with Bank of Uganda	21	434,817	530,176
Deposits and balances due from other banks	22	211,315	255,165
Loans and advances to customers	23	1,132,199	1,125,816
Investment securities: Measured at amortised cost	25	728,018	371,415
Other assets: Measured at amortised cost excluding prepayments	27	17,495	15,048
		2,523,844	**2,297,620**
FVOCI			
Investment securities: Measured at fair value	25	582,723	597,222
		582,723	**597,222**
FVTPL			
Mandatorily at FVTPL			
Trading assets	26	73,724	18,288
Equity investments	24	6,543	6,065
Derivative financial instruments	45	2,064	228
Designated at FVTPL			
Other assets: Measured at fair value	27	5,476	9,108
		87,807	**33,689**
		3,194,374	**2,928,531**
Financial liabilities			
Measured at FVTPL			
Derivative financial instruments	**45**	**457**	**273**
Measured at amortised cost:			
Customer deposits	33	2,356,281	2,318,572
Balances due to other banks	34	120,256	35,033
Borrowed funds	37	149,482	84,137
Special funds	36	1,193	1,193
Other financial liabilities	35	88,101	72,155
		2,715,313	**2,511,090**
		2,715,770	**2,511,363**

6. Financial risk management (continued)

	Note	Company 2024 Ushs M	Company 2023 Ushs M
Financial assets			
Measured at amortised cost:			
Amounts due from Group Companies	47(b)	2,092	4,558
Other assets: Measured at amortised cost excluding prepayments	27	116	2
		2,208	**4,560**
Financial liabilities			
Measured at amortised cost:			
Amounts due to Group Companies	47(a)	13,214	20,328
Other financial liabilities	35	2,777	3,162
		15,991	**23,490**

6A Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-statement of financial position loans and advances; the Group also enters into guarantees and other commitments such as letters of credit, and performance and other bonds.

The Group also trades in financial instruments. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. The fair value gains or losses arising from trading in financial instruments are recognised in profit or loss under net trading and other income. Foreign exchange and interest rate exposures and associated derivatives are normally economically hedged by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

6. Financial risk management (continued)

6B Credit risk

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Group by failing to pay amounts in full when due. Impairment allowances are provided for losses that have been incurred at the reporting date. Credit risk is the most important risk for the Group's business. Therefore, management carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. Credit risk management and control is centralised in the credit risk management team, which reports regularly to management and the Board.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a portion is personal lending where no such facilities can be obtained.

Credit related commitments:

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. The Group's policy is to hold cash cover for most of the commitments and hence the credit risk arising from such commitments is less than for direct borrowing. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than for direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The Group makes such commitments at market rates. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

6. **Financial risk management (continued)**

6B Credit risk (continued)

Maximum exposure to credit risk before collateral held

	Group	
	2024 Ushs M	2023 Ushs M
Balances with Bank of Uganda (note 21)	243,738	317,968
Loans and advances to banks (note 22)	211,315	255,165
Loans and advances to customers (note 23)	1,132,199	1,125,816
Trading assets (note 26)	73,724	18,288
Investments in securities (note 25)	1,310,741	968,637
Other assets excluding prepayments (note 27)	22,971	24,156
Credit risk exposures on off-statement of financial position items (note 42)		
- Guarantee and performance bonds	301,453	248,979
- Commitments to lend	30,653	23,742
	3,326,794	**2,982,751**

	Company	
	2024 Ushs M	2023 Ushs M
Amounts due from Group Companies (note 47(b))	2,092	4,558
Other financial assets (note 27)	116	2
	2,208	**4,560**

The above represents the worst-case scenario of the Group and Company's credit risk exposure as at 31 December 2024 and 2023, without taking account collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

As shown above, 47% of the total maximum exposure is derived from loans and advances to banks and customers (2023: 42%), whilst 42% represents investments in government securities (2023: 29%).

Loans and advances to major corporate borrowers and to individuals borrowing more than Ushs 30 million are secured by collateral in the form of charges over land and buildings and / or plant and machinery or corporate guarantees.

6. Financial risk management (continued)

6B Credit risk (continued)

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities based on the following:

The Group exercises stringent controls over the granting of new loans;

- 88% of the loans and advances portfolio are in stage one;
- 96% of the loans and advances portfolio are backed by collateral; and
- 100% of investments in debt securities are government securities.

	2024 Ushs M	2023 Ushs M
Loans and advances are summarised as follows:		
Stage 1	1,017,324	1,000,709
Stage 2	83,793	57,179
Stage 3	51,828	108,175
Gross	1,152,945	1,166,063
Less: Allowance for impairment (note 23)	(20,746)	(40,247)
Net carrying amount	**1,132,199**	**1,125,816**

Loans and advances in stage 1

The credit quality of loans and advances that were in stage 1 can be analysed by reference to the internal rating system adopted by the Group:

	2024 Ushs M	2023 Ushs M
Grades 1-9 (Low-fair / higher risk)	**1,017,324**	**1,000,709**

An expected credit loss of Ushs 5,877 Million has been estimated and recognised in the financial statements. This classification reflects the requirement to account for potential future credit losses on performing loans, even in the absence of any signs of default. The 12-month ECL approach has been applied, considering the probability of default (PD) and loss given default (LGD) to ensure prudent risk management and financial reporting.

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6B Credit risk (continued)

Loans and advances in stage 2

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances in stage 2 were as follows:

	2024 Ushs M	2023 Ushs M
Past due up to 30 days	29,495	10,734
Past due 31 - 60 days	31,213	40,492
Past due 61 - 89 days	23,085	5,953
	83,793	**57,179**

An expected credit loss of Ushs 987 million has been calculated and recognized in the financial statements. This classification reflects a significant increase in credit risk since initial recognition, even though the loans are not considered impaired. Under the lifetime ECL approach, the provision is based on the probability of default (PD) and loss given default (LGD), ensuring prudent risk assessment and financial reporting.

Loans and advances in stage 3

The general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that borrowers provide it. The Group may take collateral in the form of a first charge over real estate, machinery and equipment, automobiles and other liens and guarantees.

Because of the Group's focus on customers' credit worthiness, the Group does not routinely update the valuation of collateral held against all loans to customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely. For stage 3 loans, the Group obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement.

At 31 December 2024, the gross carrying amount of stage 3 loans and advances to customers amounted to Ushs 51,828 million (2023: Ushs 108,175 million) and the value of identifiable collateral held against those loans and advances amounted to Ushs 147,682 million (2023: Ushs 147,682 million).
Below is a summary of the impaired loans with the respective value of security;

	Loans		Overdrafts	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Loans and advances	51,331	104,374	497	3,801
Fair value of collateral	**147,158**	**141,289**	**524**	**6,393**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6B Credit risk (continued)

i. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.

The table below provides a mapping of the Group's internal credit risk grades.

Group's internal rating grade	Internal rating description	IFRS 9 Staging
1-6	Low-fair risk	Stage 1
7-9	Higher risk	Stage 2
10	Substandard	Stage 3
11	Doubtful	Stage 3
12	Loss	Stage 3

Loans and advances to customers at amortised cost

		2024			
		Ushs M			
	IFRS 9 12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	0-27.87	1,017,324	-	-	1,017,324
Grades 7-9 Higher risk	27.88-29.37	-	83,793	-	83,793
Grade 10: Sub standard	29.38-65.31	-	-	44,359	44,359
Grade 11: Doubtful	6532-82.46	-	-	4,671	4,671
Grade 12: Loss	82.47-84.00	-	-	2,798	2,798
		1,017,324	**83,793**	**51,828**	**1,152,945**
Loss allowance		(5,877)	(987)	(13,882)	(20,746)
Carrying amount		**1,011,446**	**82,806**	**37,947**	**1,132,199**

6. Financial risk management (continued)

6B Credit risk (continued)

Loans and advances to customers at armortised costs (continued)

	IFRS 9 12-month PD ranges	2023 Ushs M Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	0-27.87	1,000,709	-	-	1,000,709
Grades 7-9 Higher risk	27.88-29.37	-	57,179	-	57,179
Grade 10: Sub standard	29.38-65.31	-	-	41,197	41,197
Grade 11: Doubtful	6532-82.46	-	-	59,261	59,261
Grade 12: Loss	82.47-84.00	-	-	7,717	7,717
		1,000,709	**57,179**	**108,175**	**1,166,063**
Loss allowance		(11,769)	(4,439)	(24,039)	(40,247)
Carrying amount		**988,940**	**52,740**	**84,136**	**1,125,816**

Balances with Bank of Uganda

	IFRS 9 12-month PD	2024 Ushs M Stage 1	Stage 2	Stage 3	Total
BA1-B3 Medium risk	2.44	243,793	-	-	243,793
Loss allowance		(55)	-	-	(55)
Carrying amount		**243,738**	**-**	**-**	**243,738**

	IFRS 9 12-month PD	2023 Ushs M Stage 1	Stage 2	Stage 3	Total
BA1-B3 Medium risk	2.44	318,040	-	-	318,040
Loss allowance		(72)	-	-	(72)
Carrying amount		**317,968**	**-**	**-**	**317,968**

6. Financial risk management (continued)

6B Credit risk (continued)

Loans and advances to other banks

	IFRS 9 12-month PD ranges	2024 Ushs M Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	1-2.98	211,350	-	-	211,350
Loss allowance		(35)	-	-	(35)
Carrying amount		**211,315**	**-**	**-**	**211,315**

		2023 Ushs M Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	1-2.98	255,250	-	-	255,250
Loss allowance		(85)	-	-	(85)
Carrying amount		**255,165**	**-**	**-**	**255,165**

Other Assets: Receivables excluding prepayments

	IFRS 9 12-month PD ranges	2024 Ushs M Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	1-2.98	17,549	-	-	17,549
Loss allowance		(54)	-	-	(54)
Carrying amount		**17,495**	**-**	**-**	**17,495**

		2023 Ushs M Stage 1	Stage 2	Stage 3	Total
Grades 1-6 Low-fair risk	1-2.98	22,647	-	-	22,647
Loss allowance		(24)	-	-	(24)
Carrying amount		**22,623**	**-**	**-**	**22,623**

6. Financial risk management (continued)

6B Credit risk (continued)

Investment securities at amortised cost

	IFRS 9 12-month PD	2024 Ushs M Stage 1	Stage 2	Stage 3	Total
BA1-B3 Medium risk	2.44	730,906	-	-	730,906
Loss allowance		(2,888)	-	-	(2,888)
Carrying amount		**728,018**	**-**	**-**	**728,018**

		2023 Ushs M Stage 1	Stage 2	Stage 3	Total
BA1-B3 Medium risk	2.44	371,694	-	-	371,694
Loss allowance		(279)	-	-	(279)
Carrying amount		**371,415**	**-**	**-**	**371,415**

Investment securities measured at FVOCI

Management determines significant increase in credit risk on government securities when the credit rating of the country deteriorates from one grade category to another since initial recognition. There hasn't been any significant increase in credit risk since initial recognition of the government securities. The oldest government securities held by the Bank are from 2017 and Government of Uganda has been within the speculative grade: highly speculative for almost 20 years since 2005 based on Moody's, Fitch and S&P. Based on that, management has graded the bonds as stage 1 and considered a 12 months PD in the ECL computation. The expected credit loss relating to investment securities measured at FVOCI amounted to Ushs 1,445 million (2023: Ushs 151 million) and is recorded in the OCI. (See note 41). The credit rating grade of the investment securities at FVOCI is B3.

Cash and cash equivalents

The Group held cash and cash equivalents of Ushs 414,072 million at 31 December 2024 (2023: Ushs 574,521 million). The cash and cash equivalents are held with central bank of Uganda and financial institution counterparties that are rated at least AA-to AA+, based on Moody's ratings.

Collateral held and other credit enhancements

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

6. Financial risk management (continued)

6B Credit risk (continued)

Type of credit exposure

	Note	2024 Ushs M	2023 Ushs M	Principal type of collateral held
Balances with Bank of Uganda	21	243,738	317,968	None
Loans and advances to banks	22	211,315	255,165	None
Loans and advances to retail customers:	23			
Mortgage lending		97,869	90,838	Residential property 100%
Personal loans		448,010	378,119	None
Loans and advances to corporate customers:	23			
Finance leases		16,048	15,329	Property and equipment
Others		570,272	641,530	Commercial property, floating charges over corporate assets 100%
Trading assets	26	73,724	18,288	None
Investment debt securities	25	1,310,741	968,637	None
Other assets excluding prepayments	27	17,495	15,048	None
Off balance sheet items:				
-Guarantee and performance bonds	42	301,453	248,979	None
-Undrawn commitments	42	30,653	23,742	None

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6B Credit risk (continued)

		Company		
		2024 Ushs M	2023 Ushs M	Principal type of collateral held
Amounts due from Group Companies	47(b)	2,092	4,558	None
Other assets excluding prepayments	27	116	2	None

Loans and advances to corporate customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Group's focus on corporate customers' creditworthiness, the Group does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely. For credit-impaired loans, the Group obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 December 2024, the net carrying amount of stage 3 loans and advances to corporate customers amounted to Ushs 40,440 million (2023: Ushs 44,886 million) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to Ushs 42,916 million (2023: Ushs 61,280 million). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

Other types of collateral and credit enhancements

In addition to the collateral included in the tables above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

The tables below show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

6. Financial risk management (continued)

6B Credit risk (continued)

31 December 2024	Note	Group Maximum exposure to credit risk Ushs M	Total collateral Ushs M	Associated ECL Ushs M
Balances with Bank of Uganda	21	243,793	-	55
Loans and advances to banks	22	211,350	-	35
Loans and advances to customers	23	1,152,949	5,467,150	20,746
Trading assets	26	73,724	-	-
Investment debt securities at fair value through other comprehensive income	25	582,723	-	1,445
Investment securities at amortised cost	25	728,018	-	2,888
Other assets excluding prepayments	27	17,549	-	54
Off-statement of financial position items:				
-Guarantee and performance bonds	42	302,902	-	1,449
-Undrawn commitments	42	30,653	-	-
		3,359,707	**5,467,150**	**26,672**

31 December 2023	Note	Maximum exposure to credit risk Ushs M	Total collateral Ushs M	Associated ECL Ushs M
Balances with Bank of Uganda	21	318,040	-	72
Loans and advances to banks	22	255,250	-	85
Loans and advances to customers	23	1,166,063	4,336,020	40,247
Trading assets	26	18,288	-	-
Investment debt securities at fair value through other comprehensive income	25	597,222	-	-
Investment securities at amortised cost	25	371,694	-	128
Other assets excluding prepayments	27	15,072	-	24
Off-statement of financial position items:				
-Guarantee and performance bonds	42	249,054	-	75
-Undrawn commitments	42	23,742	-	-
		3,014,425	**4,336,020**	**40,631**

6. Financial risk management (continued)

6B Credit risk (continued)

		Company		
31 December 2024	**Note**	**Maximum exposure to credit risk Ushs M**	**Total collateral Ushs M**	**Associated ECL Ushs M**
Amounts due from Group Companies	47(b)	2,092	-	-
Other assets excluding prepayments	27	116	-	-
		2,208	**-**	**-**
31 December 2023				
Amounts due from Group Companies	47(b)	4,558	-	-
Other assets excluding prepayments	27	2	-	-
		4,560	**-**	**-**

ii. Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 5(i).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group 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 Group's historical experience and expert credit assessment and including forward-looking information.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6B Credit risk (continued)

Credit risk grades (continued)

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files-e.g. audited financial statements, management accounts, budgets and projections.	Internally collected data on customer behavior- e.g. utilisation of credit card facilities	Payment record - this includes overdue status as well as a range of variables about payment ratios
Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes, data from credit reference agencies, press articles, changes in external credit ratings, actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	Affordability metrics External data from credit reference agencies, including industry-standard credit scores	Utilisation of the granted limit Requests for and granting of forbearance Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for corporate exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and 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 Group 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 Group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Group's internal credit risk management process.

The Group will deem the credit risk of a particular exposure to have increased significantly since initial recognition if:

- Quantitative; the counterparty is past due for more than 30 days
- Qualitative; the account has been restructured for financial distress reasons
- Qualitative; Poor outlook for the specific sector or industry and any other relevant available information such as Credit Bureau data

6. Financial risk management (continued)

6B Credit risk (continued)

Credit risk grades (continued)

Determining whether credit risk has increased significantly (continued)

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

As a backstop, and as required by IFRS 9, the Group presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

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 returns 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 Group determines a probation period during which the financial asset is required to demonstrate good behavior 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 Group 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 Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on its contractual payments.

6. Financial risk management (continued)

6B Credit risk (continued)

Credit risk grades (continued)

Definition of default (continued)

- Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; 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.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- An exposure is forborne or modified due to financial difficulties of the borrower
- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Group
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

The Group 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.

6. Financial risk management (continued)

6B Credit risk (continued)

The Group formulates three economic scenarios: a base case, which is the median scenario reflecting a most-likely outcome, and two less likely scenarios, one upside and one downside. The base case is aligned with information used by the Group for other purposes such as strategic planning and budgeting.

Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Group's senior management.

The Group 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, that is consumer price index (CPI) and inflation, and credit risk and credit losses.

The key driver for credit risk for the portfolio, retail unsecured and corporate models is the consumer price index (CPI).

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

31 December 2024

Key drivers	ECL Scenario and weights	2024 %	2025 %	2026 %	2027 %	2028 %
CPI trends	Upside-20%	130	136	142	148	154
	Base case-50%	134	140	147	153	160
	Downside-30%	138	145	152	158	165
Inflation trends	Upside-20%	2.19	2.73	3.04	2.82	2.29
	Base case-50%	3.29	4.09	4.56	4.23	3.43
	Downside-30%	4.51	5.60	6.25	5.79	4.70

31 December 2023

Key drivers	ECL Scenario and weights	2023 %	2024 %	2025 %	2026 %	2027 %
CPI trends	Upside-20%	145	163	174	183	191
	Base case-50%	156	175	188	197	205
	Downside-30%	167	188	201	212	220
Inflation trends	Upside-20%	1.92	2.46	2.77	2.55	2.02
	Base case-50%	3.02	3.82	4.29	3.96	3.16
	Downside-30%	4.24	5.33	5.98	5.52	4.43

Since the beginning of the year, as the Group has reassessed the key economic indicators used in its ECL models. The Group reassessed the correlation with other macro economic variables (MEVs) with its default rates and found low correlations with other MEVs and on this basis continued to use only CPI trends. Long-term expectations however remain unchanged.

Assessment and calculation of ECL

The calculation of ECL involves significant accounting judgements, estimates and assumptions. These are set out in Note 5(i) - Financial assets and liabilities under the material accounting policies and Note 3 - Material accounting judgements, estimates and assumptions.

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6B Credit risk (continued)

ECL sensitivity analysis

The table below shows the loss allowance on loans and advances to corporate and retail customers assuming each forward-looking scenario (e.g. central, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements.

As at 31 December 2024

	Base	Pessimistic	Optimistic	Probability weighted
	Ushs M	Ushs M	Ushs M	Ushs M
Gross exposure				
Corporate	602,636	602,636	602,636	602,636
Retail	550,309	550,309	550,309	550,309
	1,152,945	**1,152,945**	**1,152,945**	**1,152,945**
Loss allowance				
Corporate	3,165	3,196	3,117	3,159
Retail	2,699	2,715	2,674	2,696
	5,864	**5,911**	**5,791**	**5,855**

As at 31 December 2023

	Base	Pessimistic	Optimistic	Probability weighted
	Ushs M	Ushs M	Ushs M	Ushs M
Gross exposure				
Corporate	687,071	687,071	687,071	687,071
Retail	478,992	478,992	478,992	478,992
	1,166,063	**1,166,063**	**1,166,063**	**1,166,063**
Loss allowance				
Corporate	3,608	3,644	3,554	3,602
Retail	2,349	2,363	2,327	2,346
	5,957	**6,007**	**5,881**	**5,948**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6B Credit risk (continued)

ECL sensitivity analysis (continued)

Below is a sensitivity analysis for the key parameters considered by the Bank in determining expected credit losses. The tables show the increase/ (decline) in profit before income tax and equity for instantaneous parameters shocks.

	2024		2023	
	Corporate	Retail	Corporate	Retail
	Ushs M	Ushs M	Ushs M	Ushs M
Impact on profit before tax:				
+10% probability of inflation shock	3,165	2,699	3,608	2,349
-10% probability of inflation shock	(3,165)	(2,699)	(3,608)	(2,349)
+10% probability of CPI shock	3,278	2,756	3,721	2,406
-10% probability of CPI shock	(3,278)	(2,756)	(3,721)	(2,406)
Impact on equity:				
+10% probability of inflation shock	2,216	1,889	2,526	1,644
-10% probability of inflation shock	(2,216)	(1,889)	(2,526)	(1,644)
+10% probability of CPI shock	2,295	1,929	2,605	1,684
-10% probability of CPI shock	(2,295)	(1,929)	(2,605)	(1,684)

Impact on modelled ECL allowance

The Group's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the lack of experience of similar events could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Group expects that post-model adjustments will be applied for the foreseeable future.

Post-model adjustments and management overlays made in estimating the reported ECL as at 31 December 2024 are set out in the following table:

	Modelled ECL Ushs M	Post-model adjustments Ushs M	Management overlays Ushs M	Total ECL Ushs M	Adjustments as a % of total ECL
31 December 2024					
Total corporate and retail lending	**19,746**	**-**	**1,000**	**20,746**	**5%**
31 December 2023					
Total corporate and retail lending	**40,247**	**-**	**-**	**40,247**	**0%**

Management overlays relate to additional subjective ECL made on a customer as a result of additional information management received regarding the operations of the customer that could potentially increase the credit risk.

6. Financial risk management (continued)

6B Credit risk (continued)

Post-model adjustments

Post model adjustments are adjustments to the ECL balance as part of the year end reporting process to reflect late updates to market data, known model deficiencies and expert credit adjustment. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust stage allocation outcomes. There were no post-model adjustments in 2024 (2023: Nil).

Management overlays

Management overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the bank's definition of post model adjustments because they are not calculated at a granular level through modelled analysis.

The Group has internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments. The aim of the bank is to incorporate these adjustments inro the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 5(i)(iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6B Credit risk (continued)

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

The following tables provide a summary of the Group's forborne assets, which are all under Stage 2. There are none under Stage 3.

31 December 2024	**Stage 2**			
	Gross carrying amount	**Temporary modification to T&Cs**	**Permanent modification to T&Cs**	**Total performing restructured loans**
	Ushs M	**Ushs M**	**Ushs M**	**Ushs M**
Corporate loans	50,891	-	30,377	30,377
Retail loans	32,903	-	3,200	3,200
	83,794	**-**	**33,577**	**33,577**

31 December 2023	**Stage 2**			
	Gross carrying amount	**Temporary modification to T&Cs**	**Permanent modification to T&Cs**	**Total performing restructured loans**
	Ushs M	**Ushs M**	**Ushs M**	**Ushs M**
Corporate loans	50,920	-	48,241	48,241
Retail loans	6,260	-	1,899	1,899
	57,180	**-**	**50,140**	**50,140**

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL measurement during the period:

	Post- modification		**Pre-modification**	
	Gross carrying amount	**Corresponding ECL**	**Gross carrying amount**	**Corresponding ECL**
	Ushs M	**Ushs M**	**Ushs M**	**Ushs M**
31 December 2024				
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	48,995	53	27,980	179
Facilities that reverted to (Stage 2/3) LTECL having once cured	274	9	226	40
Total	**49,269**	**62**	**28,206**	**219**
31 December 2023				
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	148,061	291	124,125	211
Facilities that reverted to (Stage 2/3) LTECL having once cured	910	19	717	109
Total	**148,971**	**310**	**124,842**	**320**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6B Credit risk (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.
Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.
The methodology of estimating PDs is discussed above under the heading, 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level.

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6B Credit risk (continued)

Measurement of ECL (continued)

This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- loan amount
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

	Exposure Ushs		External benchmarks used	
			Moody's Rating	Basel Rating (sovereign)
	2024	2023	PD	LGD
Government securities – Amortised cost	728 bn	371 bn	2.44%	10%
Government securities - FVOCI	583 bn	597 bn	2.44%	10%

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6B Credit risk (continued)

i. Impaired financial assets

Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favorable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

Loans and investment debt securities that were in stage 2

Loans and investment debt securities that were in stage 2 are those for which contractual interest or principal payments were past due but the Group believed that impairment was not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group. The amounts disclosed exclude assets measured at FVTPL.

ii. Concentrations of credit risk

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances and credit commitments is shown below:

	2024		2023	
	Loans and advances	Credit Commitments	Loans and advances	Credit Commitments
As at 31 December				
Agriculture	6%	7%	11%	9%
Manufacturing	13%	16%	13%	6%
Infrastructure and energy	11%	0%	10%	0%
Information Communication Technology	2%	3%	4%	16%
Trade and Commerce	22%	13%	24%	4%
Public Sector	2%	0%	2%	0%
Financial Institutions	3%	0%	1%	0%
Education and Health	6%	7%	6%	7%
Personal and Household	35%	54%	29%	58%
	100%	**100%**	**100%**	**100%**

As at 31 December 2024 and 2023, the Group had no exposures to a single borrower or group of related borrowers exceeding 25% of the core capital of the subsidiary (**dfcu** Bank Limited).

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6C Liquidity risk

Liquidity risk is the risk that the Group is unable to meet payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Management of liquidity risk

The Group's objective to managing liquidity is to ensure that there will always be sufficient liquidity to meet its liabilities and other obligations when they fall due under both normal and stressed conditions in line with the Group's Assets and Liabilities Management (ALM) policies without incurring unacceptable losses or risking damage to the Group's reputation.

ALM policies are approved by the Group's Assets and Liabilities Board Committee (ALCO) and the Board of Directors. The purpose of ALCO is to stipulate and monitor the business philosophy of the Group as to the cost, structure and mix of assets and liabilities to maximise profitability within acceptable set risk limits.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers and short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market divided by any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.

The Financial Institutions (Liquidity) Regulations, 2023 became effective on 19 June 2023. The regulations require financial institutions to maintain an adequate level of liquidity and to manage a liquidity risk appetite to meet all known obligations and commitments and to plan for unforeseen obligations and commitments. In order to comply with these Regulations, the Bank has implemented an International Liquidity Assessment Process (ILAAP) and monitors its liquid assets, the liquid assets ratio, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). Management has put up a contingent recovery fund to help to mitigate unexpected liquidity gaps.

Liquid assets ratio

In assessing the liquid assets ratio, the Group has considered its highly liquid assets as a percentage of deposits from customers, which are considered to be due on demand.

Details of the reported Group's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

	2024	2023
At 31 December	34.2%	39.0%
Average for the period	36.5%	33.3%
Maximum for the period	41.2%	40.3%

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6C Liquidity risk (continued)

The table below summarises the net position as at 31 December 2024 and 31 December 2023 based on contractual maturity.

Net position as at 31 December 2024 (Group) Months	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Long / (short) Gap	(884,692)	291,670	(117,177)	45,341	800,231
Long / (short) Cumulative Gap	(884,692)	(563,022)	(710,199)	(664,858)	135,373
Cumulative Gap / Total Assets	**(26%)**	**(17%)**	**(20%)**	**(19%)**	**4%**

Net position as at 31 December 2023 (Group)

Months	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Long / (short) Gap	(795,242)	130,688	(70,787)	154,219	714,832
Long / (short) Cumulative Gap	(795,242)	(664,554)	(735,341)	(581,122)	133,710
Cumulative Gap / Total Assets	**(25%)**	**(20%)**	**(23%)**	**(18%)**	**(4%)**

Net position as at 31 December 2024 (Company)

Months	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Long / (short) Gap	1,174	(1,130)	(3,740)	(10,087)	-
Long / (short) Cumulative Gap	1,174	44	(3,696)	(13,783)	-
Cumulative Gap / Total Assets	**1%**	**(2%)**	**(3%)**	**(7%)**	**-**

Net position as at 31 December 2023 (Company)

Months	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Long / (short) Gap	3,142	(1,130)	(11,482)	(9,459)	-
Long / (short) Cumulative Gap	3,142	2,012	(9,470)	(18,929)	-
Cumulative Gap / Total Assets	**1%**	**1%**	**(4%)**	**(8%)**	**-**

6. Financial risk management (continued)

6C Liquidity risk (continued)

Liquidity coverage ratio

The Bank has also considered the liquidity coverage ratio (LCR). The LCR represents the Bank's high quality liquid assets (HQLA) expressed as a percentage of the Bank's net cash out flows.

Details of the Bank's LCR at the reporting date and during the reporting period were as follows.

	2024	2023
At 31 December	379.15%	222.69%
Average for the period	271.40%	291.45%
Maximum for the period	379.15%	352.36%
Minimum for the period	219.45%	230.54%

As disclosed in the table above, the LCR was higher than the regulatory requirement of 100% as at, and during the years ended 31 December 2024 and 31 December 2023.

Net stable funding ratio

The Financial Institutions (Liquidity) Regulations, 2023 require financial institutions to maintain on an on-going basis, a net stable funding ratio (NSFR) of not less than one hundred percent. The NSFR represents the Bank's available stable funding as a percentage of the required stable funding.

As disclosed in the table below, the NSFR exceeded the requirement of 100% as at, and during the years ended 31 December 2024 nd 31 December 2023:

	2024	2023
At 31 December	245.87%	270.04%
Average for the period	189.75%	249.50%
Maximum for the period	245.87%	270.04%
Minimum for the period	150.32%	228.68%

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6C Liquidity risk (continued)

The following are the remaining contractual maturities financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

	Group						
	Contractual Cash flows						
2024	Carrying Amount Ushs M	Gross nominal inflow/(outflow) Ushs M	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 1years Ushs M	Over 5 years Ushs M
Financial liability by type							
Customer deposits	2,356,281	2,639,035	2,091,208	104,466	443,327	34	-
Balances due to other banks	120,256	133,484	133,484	-	-	-	-
Derivative financial instruments	457	457	457	-	-	-	-
Other financial liabilities excluding lease liability	62,799	62,799	62,799	-	-	-	-
Lease liability	25,302	68,652	50,882	5,218	9,477	1,230	1,845
Borrowed funds	149,482	158,451	14,439	608	40,972	64,175	38,257
Special funds	1,193	1,193	1,193	-	-	-	-
Total liabilities	**2,715,770**	**3,064,071**	**2,354,462**	**110,292**	**493,776**	**65,439**	**40,102**
Financial assets by type							
Cash and balances with Bank of Uganda	434,817	434,817	434,817	-	-	-	-
Loans and advances to other banks	211,315	234,560	234,560	-	-	-	-
Loans and advances to customers	1,132,199	1,394,709	296,715	346,838	209,592	107,721	433,843
Government and other securities	1,384,465	1,555,049	333,789	131,338	299,196	175,501	615,225
Equity investments at fair value through profit and loss	5,405	5,405	-	-	-	-	5,405
Derivative financial instruments	2,064	2,064	2,064	-	-	-	-
Other assets excluding prepayments	22,971	22,971	14,226	5,947	2,012	786	-
Total assets	**3,193,236**	**3,649,575**	**1,316,171**	**484,123**	**510,800**	**284,008**	**1,054,473**
Net liquidity gap	**(477,466)**	**(585,504)**	**1,038,291**	**(373,831)**	**(17,024)**	**(218,569)**	**(1,014,371)**
Net off-statement of financial position items	(332,106)	(332,106)	(35,125)	(36,645)	(127,023)	(133,313)	-
Overall liquidity position	**(809,572)**	**(917,610)**	**1,003,166**	**(410,476)**	**(144,047)**	**(351,882)**	**(1,014,371)**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6C Liquidity risk (continued)

		Group					
		Contractual Cash flows					
	Carrying	Gross nominal	Up to	1-3	3-12	1-5	Over
2023							
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Financial liability by type							
Customer deposits	2,318,572	2,596,801	2,120,411	168,214	300,967	7,209	-
Balances due to other banks	35,033	35,354	35,354	-	-	-	-
Derivative financial instruments	273	273	273	-	-	-	-
Other financial liabilities excluding lease liability	46,305	46,305	46,305	-	-	-	-
Lease liability	25,850	58,940	19,688	6,483	22,709	7,328	2,732
Borrowed funds	84,137	89,185	14,138	144	27,407	31,057	16,439
Special funds	**1,193**	**1,193**	**1,193**	**-**	**-**	**-**	**-**
Total liabilities	**2,511,363**	**2,828,051**	**2,237,362**	**174,841**	**351,083**	**45,594**	**19,171**
Financial assets by type							
Cash and balances with Bank of Uganda	530,176	530,176	530,176	-	-	-	-
Loans and advances to other banks	255,165	255,165	255,165	-	-	-	-
Loans and advances to customers	1,125,816	1,283,431	314,170	347,748	199,718	212,528	209,267
Government and other securities	986,925	1,105,357	189,343	35,172	191,586	312,527	376,729
Equity investments at fair value through profit and loss	4,927	4,927	-	-	-	-	4,927
Derivative financial instruments	228	228	228	-	-	-	-
Other assets excluding prepayments	24,156	24,156	11,332	5,958	6,080	786	-
Total assets	**2,927,393**	**3,203,440**	**1,300,414**	**388,878**	**397,384**	**525,841**	**590,923**
Net liquidity gap	**(416,030)**	**(375,389)**	**936,948**	**(214,037)**	**(46,301)**	**(480,247)**	**(571,752)**
Net off-statement of financial position items*	(272,721)	(272,721)	(46,592)	(54,963)	(107,612)	(63,554)	
Overall liquidity position	**(688,751)**	**(648,110)**	**890,356**	**(269,000)**	**(153,913)**	**(543,801)**	**(571,752)**

* The contractual maturities for issued off statement of financial position items which include guarantees, letters of credit and unutilised commitments have been included in the maturities analysis for 2023 in order to comply with the requirements of IFRS 7.

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

2024	Carrying Amount Ushs M	Company Contractual Cash flows Gross nominal inflow/(outflow) Ushs M	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M
Financial liability by type:							
Amounts due to Group Companies	13,214	14,878	-	-	3,659	11,219	-
Other financial liabilities	2,777	2,777	1,034	1,130	613	-	-
Total liabilities	**15,991**	**17,655**	**1,034**	**1,130**	**4,272**	**11,219**	**-**
Financial assets by type:							
Amounts due from Group Companies	2,092	2,092	2,092	-	-	-	-
Other assets excluding prepayments	116	116	116	-	-	-	-
Total assets	**2,208**	**2,208**	**2,208**	**-**	**-**	**-**	**-**
Liquidity gap	**(13,783)**	**(15,447)**	**1,174**	**(1,130)**	**(4,272)**	**(11,219)**	**-**

2023	Carrying Amount Ushs M	Contractual Cash flows Gross nominal inflow/(outflow) Ushs M	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 1years Ushs M	Over 5 years Ushs M
Financial liability by type:							
Amounts due to Group Companies	20,328	23,784	-	-	12,717	11,067	-
Other financial liabilities	3,162	3,162	1,419	1,130	613	-	-
Total liabilities	**23,490**	**26,946**	**1,419**	**1,130**	**13,330**	**11,067**	**-**
Financial assets by type:							
Amounts due from Group Companies	4,558	4,558	4,558	-	-	-	-
Other assets excluding prepayments	2	2	2	-	-	-	-
Total assets	**4,560**	**4,560**	**4,560**	**-**	**-**	**-**	**-**
Liquidity gap	**(18,930)**	**(22,386)**	**3,141**	**(1,130)**	**(13,330)**	**(11,067)**	**-**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6C Liquidity risk (continued)

The table below analyses assets and liabilities into relevant maturity groupings based on the carrying amount as at 31 December. All figures are in millions of Uganda Shillings.

As at 31 December 2024	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-liquid items	Non-financial items	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Assets								
Cash and balances with Bank of Uganda	434,817	-	-	-	-	-	-	434,817
Deposits and balances due from other banks	211,315	-	-	-	-	-	-	211,315
Loans and advances to customers	260,277	304,244	183,853	94,493	289,332	-	-	1,132,199
Government and other securities	298,026	117,266	267,139	156,697	545,337	-	-	1,384,465
Investment in shares	-	-	-	5,405	5,405	-	1,138	6,543
Other assets	5,495	5,310	1,797	382	-	9,987	10,648	33,619
Derivative financial instruments	2,064	-	-	-	-	-	-	2,064
Deferred income tax asset	-	-	-	-	-	-	87,859	87,859
Property and equipment	-	-	-	-	-	-	80,362	80,362
Investment property	-	-	-	-	-	-	18,849	18,849
Intangible assets	-	-	-	-	-	-	36,148	36,148
Assets held for disposal	-	-	-	-	-	-	832	832
Total assets	**1,211,994**	**426,820**	**452,789**	**251,572**	**840,074**	**9,987**	**235,836**	**3,429,072**
Liabilities								
Customer deposits	1,867,150	93,273	395,828	30	-	-	-	2,356,281
Derivative financial instruments	457	-	-	-	-	-	-	457
Balances due to other banks	120,256	-	-	-	-	-	-	120,256
Other liabilities	58,884	4,659	8,462	16,096	-	-	-	88,101
Borrowed funds	13,621	573	38,653	56,792	39,843	-	-	149,482
Special funds	1,193	-	-	-	-	-	-	1,193
Current income tax payable	-	-	-	-	-	-	4,685	4,685
Provisions	-	-	-	-	-	-	4,364	4,364
Total liabilities	**2,061,561**	**98,505**	**442,943**	**72,918**	**39,843**	**-**	**9,049**	**2,724,819**
Net liquidity gap	**(849,567)**	**328,315**	**9,846**	**178,654**	**800,231**	**9,987**	**226,787**	**704,253**
Net off-statement of financial position items	(35,125)	(36,645)	(127,023)	(133,313)	-	-	-	(332,106)
Overall net liquidity gap	**(884,692)**	**291,670**	**(117,177)**	**45,341**	**800,231**	**9,987**	**226,787**	**372,147**

6. Financial risk management (continued)

6C Liquidity risk (continued)

As at 31 December 2023	Up to 1 month	1-3 months	3-12 months	1-5 months	Over 5 years	Non-liquid items	Non-financial items	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Assets								
Cash and balances with Bank of Uganda	530,176	-	-	-	-	-	-	530,176
Deposits and balances due from other banks	255,165	-	-	-	-	-	-	255,165
Loans and advances to customers	275,587	305,042	175,191	98,615	271,381	-	-	1,125,816
Government and other securities	169,056	31,404	171,058	151,950	463,457	-	-	986,925
Investment in shares	-	-	-	-	4,927	-	1,138	6,065
Other assets	1,173	5,320	5,429	2,635	-	9,599	5,635	29,791
Derivative financial instruments	228	-	-	-	-	-	-	228
Deferred income tax asset	-	-	-	-	-	-	65,226	65,226
Property and equipment	-	-	-	-	-	-	83,208	83,208
Investment property	-	-	-	-	-	-	19,295	19,295
Intangible assets	-	-	-	-	-	-	27,142	27,142
Assets held for disposal	-	-	-	-	-	-	29,089	29,089
Total assets	**1,231,385**	**341,766**	**351,678**	**253,200**	**739,765**	**9,599**	**230,733**	**3,158,126**
Liabilities								
Customer deposits	1,893,224	150,191	268,721	6,436	-	-	-	2,318,572
Derivative financial instruments	273	-	-	-	-	-	-	273
Balances due to other banks	35,033	-	-	-	-	-	-	35,033
Other liabilities	37,109	5,788	20,276	8,982	-	-	-	72,155
Borrowed funds	13,203	136	25,856	20,009	24,933	-	-	84,137
Special funds	1,193	-	-	-	-	-	-	1,193
Current income tax payable	-	-	-	-	-	-	542	542
Provisions	-	-	-	-	-	-	2,188	2,188
Total liabilities	**1,980,035**	**156,115**	**314,853**	**35,427**	**24,933**	**-**	**2,730**	**2,514,093**
Net liquidity gap	**(748,650)**	**185,651**	**36,825**	**217,773**	**714,832**	**9,599**	**228,003**	**644,033**
Net off-statement of financial position items	(46,592)	(54,963)	(107,612)	(63,554)	-	-	-	(272,721)
Overall net liquidity gap	**(795,242)**	**130,688**	**(63,554)**	**154,219**	**714,832**	**9,599**	**228,003**	**371,312**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6C Liquidity risk (continued)

Company: As at 31 December 2024 Assets	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non-liquid items Ushs M	Non-financial items Ushs M	Total Ushs M
Amounts due from Group companies	2,092	-	-	-	-	-	-	2,092
Other assets	116	-	-	-	-	-	79	195
Current income tax recoverable	-	-	-	-	-	-	745	745
Investment in subsidiary	-	-	-	-	-	-	203,293	203,293
Investment property	-	-	-	-	-	-	36,595	36,595
Total assets	**2,208**	**-**	**-**	**-**	**-**	**-**	**240,712**	**242,920**
Financial liabilities								
Other liabilities	1,034	1,130	613	-	-	-	-	2,777
Deferred income tax liability	-	-	-	-	-	-	311	311
Amounts due to Group companies	-	-	3,127	10,087	-	-	-	13,214
Total liabilities	**1,034**	**1,130**	**3,740**	**10,087**	**-**	**-**	**311**	**16,302**
Liquidity gap	**1,174**	**(1,130)**	**(3,740)**	**(10,087)**	**-**	**-**	**240,401**	**226,618**

Notes to the consolidated and separate financial statements (continued)

6 Financial risk management (continued)

6C Liquidity risk (continued)

Company:	Up to	1-3	3-12	1-5	Over			
As at 31 December 2023	1 month	months	months	years	5 years	Non-liquid items	Non-financial items	Total
Assets	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Amounts due from Group companies	4,558	-	-	-	-	-	-	4,558
Other assets	2	-	-	-	-	-	91	93
Current income tax recoverable	-	-	-	-	-	-	677	677
Investment in subsidiary	-	-	-	-	-	-	203,293	203,293
Investment property	-	-	-	-	-	-	38,043	38,043
Total assets	**4,560**	**-**	**-**	**-**	**-**	**-**	**242,104**	**246,664**
Financial liabilities								
Other liabilities	1,419	1,130	613	-	-	-	-	3,162
Amounts due to Group companies	-	-	10,869	9,459	-	-	-	20,328
Deferred tax liability					-		291	291
Total liabilities	**1,419**	**1,130**	**11,482**	**9,459**	**-**	**-**	**291**	**23,781**
Liquidity gap	**3,141**	**(1,130)**	**(11,482)**	**(9,459)**	**-**	**-**	**241,813**	**222,883**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6D Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risks rests with the ALCO. The Treasury Department is responsible for the detailed risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

Currency Risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, counter party limits and stop loss limits, which are monitored daily by treasury with senior management oversight. The Group's ALCO reviews on a monthly basis the net foreign exchange position of the Group. As at 31 December 2024, the Group had a net foreign exchange position of Ushs 27,041 million (2023: Ushs 53 million).

The Group's profit before income tax/ equity would decrease/ increase by Ushs 2,704 million (2023: Ushs 11 million) were the Ushs: US$ foreign exchange rate to change by 10% (2023: 10%). This variation in profitability is measured by reference to foreign currency exposures existing at year end. Movements in the foreign exchange rates for GBP and EURO would not have a material impact on the Group's results

The table below summarises the Group's exposure to foreign currency risk as at 31 December 2024. Included in the table are the Group's assets and liabilities categorised by currency. All figures are in millions of Uganda Shillings. The Uganda shillings (Ushs) and the non-financial items have not been included in determining the foreign currency sensitivity analysis.

As at 31 December 2024 (Group)	**USD**	**GBP**	**EURO**	**USHS**	**Total**
	Ushs M	**Ushs M**	**Ushs M**	**Ushs M**	**Ushs M**
Assets					
Cash and balances with Bank of Uganda	65,567	4,872	29,051	335,327	434,817
Loans and advances to other banks	180,696	6,253	23,473	893	211,315
Loans and advances to customers	301,322	-	-	830,877	1,132,199
Other assets	1,779	-	-	21,511	23,290
Equity investments	-	-	-	5,405	5,405
Government and other securities	-	-	-	1,384,465	1,384,465
Derivative financial instruments	-	-	-	2,064	2,064
Total assets	**549,364**	**11,125**	**52,524**	**2,580,542**	**3,193,555**
Liabilities					
Customer deposits	524,655	5,633	20,815	1,805,178	2,356,281
Derivative financial instruments	-	-	-	457	457
Balances due to other banks	-	-	-	120,256	120,256
Other liabilities	16,776	1,589	1,239	68,497	88,101
Borrowed funds	34,974	-	-	114,508	149,482
Special funds	-	-	-	1,193	1,193
Total liabilities	**576,405**	**7,222**	**22,054**	**2,110,089**	**2,715,770**
Net on-statement of financial position items	**(27,041)**	**3,903**	**30,470**	**470,453**	**477,466**
Net off-statement of financial position items	(174,205)	-	(5,902)	(151,999)	(332,106)
Overall open position	**(201,246)**	**3,903**	**24,568**	**318,454**	**145,679**

6. Financial risk management (continued)

6D Market risk (continued)

As at 31 December 2023 (Group)	USD	GBP	EURO	USHS	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Assets					
Cash and balances with Bank of Uganda	129,131	6,916	10,148	383,981	530,176
Loans and advances to other banks	188,220	5,363	30,246	31,336	255,165
Loans and advances to customers	312,814	-	-	813,002	1,125,816
Other assets	1,466	-	-	22,690	24,156
Equity investments	-	-	-	4,927	4,927
Government and other securities	-	-	-	986,925	986,925
Derivative financial instruments	-	-	-	228	228
Total assets	**631,631**	**12,279**	**40,394**	**2,243,089**	**2,927,393**
Liabilities					
Customer deposits	575,310	7,176	21,775	1,714,311	2,318,572
Derivative financial instruments	-	-	-	273	273
Balances due to other banks	-	-	-	35,033	35,033
Other liabilities	11,451	8,145	16,196	16,833	52,625
Borrowed funds	44,923	-	-	39,214	84,137
Special funds	-	-	-	1,193	1,193
Total liabilities	**631,684**	**15,321**	**37,971**	**1,806,857**	**2,491,833**
Net on-statement of financial position items	**(53)**	**(3,042)**	**2,423**	**436,232**	**435,560**
Net off-statement of financial position items	(115,291)	-	(2,343)	(155,087)	(272,721)
Overall open position	**(115,344)**	**(3,042)**	**80**	**281,145**	**162,839**

As at 31 December 2024 (Company)	USD	GBP	EURO	USHS	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Assets					
Amounts due from Group companies	562	-	-	1,530	2,092
Other assets	-	-	-	116	116
Total assets	**562**	**-**	**-**	**1,646**	**2,208**
Liabilities					
Other liabilities	-	-	-	2,777	2,777
Amounts due to Group companies	-	-	-	13,214	13,214
Total liabilities	**-**	**-**	**-**	**15,991**	**15,991**
Overall open position	**562**	**-**	**-**	**(14,345)**	**(13,783)**

As at 31 December 2023 (Company)					
Assets					
Amounts due from Group companies	360	-	-	4,198	4,558
Other assets	-	-	-	2	2
Total assets	**360**	**-**	**-**	**4,200**	**4,560**
Liabilities					
Other liabilities	-	-	-	3,162	3,162
Amounts due to Group companies	-	-	-	20,328	20,328
Total liabilities	**-**	**-**	**-**	**23,490**	**23,490**
Overall open position	**360**	**-**	**-**	**(19,290)**	**(18,930)**

6. Financial risk management (continued)

6D Market risk (continued)

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored monthly.

The Group faces fair value interest rate risk on its fixed interest financial assets that are measured at fair value. In addition, the Group faces cash flow interest rate risk on its variable rate financial instruments measured at amortised cost. Financial instruments with fair value interest rate risk comprise solely the held-for-trading portfolio of Government securities. Financial instruments with cash flow interest rate risk comprise deposits and balances due from other banks, loans and advances receivable/payable, customer deposits and amounts due to other group companies.

The table below summarises the Group's fair value and cash flow interest rate risks at 31 December 2024 assuming a market interest rate decrease of 3% from the rates ruling at year-end (2023: 3%). This would have an impact on the profit before income tax of the Group as follows:

	2024 Ushs M			2023 Ushs M		
	Profit before tax	Tax impact	Net impact on equity	Profit before tax	Tax impact	Net impact on equity
Fair value interest rate risk	1,227	(368)	859	1,137	(341)	796
Cash flow interest rate risk	36,673	(11,902)	24,771	36,765	(11,029)	25,736
	37,900	**(12,270)**	**25,630**	**37,902**	**(11,370)**	**26,532**

The table summarises the Group's interest risk on the debt instruments at FVOCI as at 31 December 2024 assuming a market interest rate decrease of 3% from the rates ruling at year end (2023: 3%)

	2024 Ushs M			2023 Ushs M		
	Gross effect on OCI	Tax (expense)/ benefit	Net impact on equity	Gross effect on OCI	Tax (expense)/ benefit	Net impact on equity
Movement in liability credit reserve	(216)	65	(151)	(474)	142	(332)
Movement in debt instrument at FVOCI	(1)	-	(1)	(1)	-	(1)
	(217)	**65**	**(152)**	**(475)**	**142**	**(333)**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6D Market risk (continued)

The tables below summarise the Group's exposure to interest rate risk as at 31 December 2024 and 31 December 2023. Included in the table is the Group's interest-bearing assets and liabilities at carrying amounts categorised by the earlier of contractual re-pricing or maturity dates. The Group does not bear any interest rate risk on off-statement of financial position items like commitments to lend, guarantees and letters of credit. All figures are in millions of Uganda Shillings.

As at 31 December 2024 (Group)	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non - interest bearing Ushs M	Total Ushs M
Interest bearing assets							
Cash and balances with Bank of Uganda	-	-	-	-	-	434,817	434,817
Deposits and balances due from other banks	153,427	-	-	-	-	57,888	211,315
Loans and advances to customers	284,284	304,244	183,853	94,493	286,071	(20,746)	1,132,199
Government and other securities	298,026	117,266	267,139	156,697	545,337	-	1,384,465
Equity investments	-	-	-	-	-	5,405	5,405
Other assets	-	-	-	-	-	17,495	17,495
Derivative financial instruments	2,064	-	-	-	-	-	2,064
Total interest bearing assets	**737,801**	**421,510**	**450,992**	**251,190**	**831,408**	**494,859**	**3,187,760**
Interest bearing liabilities							
Customer deposits	694,406	93,273	395,828	30	-	1,172,744	2,356,281
Derivative financial instruments	457	-	-	-	-	-	457
Balances due to other banks	120,256	-	-	-	-	-	120,256
Other liabilities	-	-	-	-	-	88,101	88,101
Borrowed funds	13,621	573	38,653	17,093	39,843	39,699	149,482
Special funds	-	-	-	-	-	1,193	1,193
Total interest bearing liabilities	**828,740**	**93,846**	**434,481**	**17,123**	**39,843**	**1,301,737**	**2,715,770**
Interest re-pricing gap	**(90,939)**	**327,664**	**16,511**	**234,067**	**791,565**	**(806,878)**	**471,990**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6D Market risk (continued)

As at 31 December 2023 (Group)	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non - interest bearing	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Interest bearing assets							
Cash and balances with Bank of Uganda	-	-	-	-	-	530,176	530,176
Deposits and balances due from other banks	110,591	-	-	-	-	144,574	255,165
Loans and advances to customers	275,587	305,042	175,191	98,615	271,381	-	1,125,816
Government and other securities	169,056	31,404	171,058	151,950	463,457	-	986,925
Equity investments	-	-	-	-	-	4,927	4,927
Other assets	-	-	-	-	-	15,048	15,048
Derivative financial instruments	228	-	-	-	-	-	228
Total interest bearing assets	**555,462**	**336,446**	**346,249**	**250,565**	**734,838**	**694,725**	**2,918,285**
Interest bearing liabilities							
Customer deposits	709,550	150,191	268,721	6,436	-	1,183,674	2,318,572
Derivative financial instruments	273	-	-	-	-	-	273
Balances due to other banks	35,033	-	-	-	-	-	35,033
Other liabilities	-	-	-	-	-	72,155	72,155
Borrowed funds	13,203	136	25,856	1,305	-	43,637	84,137
Special funds	-	-	-	-	-	1,193	1,193
Total interest bearing liabilities	**758,059**	**150,327**	**294,577**	**7,741**	**-**	**1,300,659**	**2,511,363**
Interest re-pricing gap	**(202,597)**	**186,119**	**51,672**	**242,824**	**734,838**	**(605,934)**	**406,922**

6. Financial risk management (continued)

6D Market risk (continued)

As at 31 December 2024 (Company)	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non - interest bearing Ushs M	Total Ushs M
Interest bearing assets							
Other assets	-	-	-	-	-	116	116
Amounts due from Group companies	2,092	-	-	-	-	-	2,092
Total interest bearing assets	**2,092**	**-**	**-**	**-**	**-**	**116**	**2,208**
Interest bearing liabilities							
Other liabilities	-	-	-	-	-	2,777	2,777
Amounts due to Group companies	-	-	3,127	10,087	-	-	13,214
Total interest bearing liabilities	**-**	**-**	**3,127**	**10,087**	**-**	**2,777**	**15,991**
Interest re-pricing gap	**2,092**	**-**	**(3,127)**	**(10,087)**	**-**	**(2,661)**	**(13,783)**

As at 31 December 2023 (Company)	Up to 1 month Ushs M	1-3 months Ushs M	3-12 months Ushs M	1-5 years Ushs M	Over 5 years Ushs M	Non - interest bearing Ushs M	Total Ushs M
Interest bearing assets							
Other assets	-	-	-	-	-	2	2
Amounts due from Group companies	4,558	-	-	-	-	-	4,558
Total interest bearing assets	**4,558**	**-**	**-**	**-**	**-**	**2**	**4,560**
Interest bearing liabilities							
Other liabilities	-	-	-	-	-	3,162	3,162
Amounts due to Group companies	-	-	10,869	9,459	-	-	20,328
Total interest bearing liabilities	**-**	**-**	**10,869**	**9,459**	**-**	**3,162**	**23,490**
Interest re-pricing gap	**4,558**	**-**	**(10,869)**	**(9,459)**	**-**	**(3,160)**	**(18,930)**

6. Financial risk management (continued)

6E Fair values of financial assets and liabilities

i) Financial instruments measured at fair value

Valuation models

The Group 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 that are not observable 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.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums 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.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

6. Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

i) Financial instruments measured at fair value (continued)

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and may be derived from market prices or rates or estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain OTC structured derivatives, certain loans, securities for which there is no active market and retained interests in securitisations (as discussed below). Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

For measuring derivatives that might change classification from being an asset to a liability or vice versa - e.g. interest rate swaps - fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVAJ when market participants would take this into consideration in pricing the derivatives.

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. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management uses judgement to select the most appropriate point in the range.

Measurement on the basis of net exposures to risks

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads. These adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when the Group measures portfolios of financial assets and financial liabilities on the basis of net exposure to the credit risk of a particular counterparty, it takes into account any existing arrangements that mitigate the credit risk exposure - e.g. master netting agreements with the counterparty.

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

i) Financial instruments measured at fair value (continued)

Valuation techniques

Government debt securities

Government debt securities are financial instruments issued by sovereign governments and include both long-term bonds and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in active markets. When active market prices are not available, the Group uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate future index levels and extrapolating yields outside the range of active market trading, in which instances the Group classifies those securities as Level 2. The Group does not have Level 3 government securities where valuation inputs would be unobservable. The fair values of government securities are obtained from Bank of Uganda.

Equity instruments

The Group's equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1.

Other assets at fair value through profit or loss

These comprise of loans and receivables designated at FVPL and mandatorily required to be measured at FVPL. The fair value is determined based on the present value of future cash flows using the contractual rates.

Valuation framework

The Group has an established control framework for the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both Product Control and Group Market Risk;
- quarterly calibration and back-testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of senior Product Control and Group Market Risk personnel.

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

i) Financial instruments measured at fair value (continued)

Financial instruments measured at fair value - Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

The following are the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

2024	Hierarchy				
	Level 1	Level 2	Level 3	Total	Carrying Amount
Financial assets:	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Treasury bills and bonds	-	73,724	-	73,724	73,724
Securities at fair value through OCI	-	582,723	-	582,723	582,723
Derivative financial instruments	-	2,064	-	2,064	2,064
Other assets at fair value through profit and loss	-	5,476	-	5,476	5,476
Equity investments at fair value through profit and loss	5,405	1,138	-	6,543	6,543
Total financial assets	**5,405**	**665,125**	**-**	**670,530**	**670,530**
Financial liabilities:					
Derivative financial instruments	-	457	-	457	457
Total financial liabilities	**-**	**457**	**-**	**457**	**457**

2023	Hierarchy				
	Level 1	Level 2	Level 3	Total	Carrying Amount
Financial assets:	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Treasury bills and bonds	-	18,288	-	18,288	18,288
Securities at fair value through OCI	-	597,222	-	597,222	597,222
Derivative financial instruments	-	228	-	228	228
Other assets at fair value through profit and loss	-	9,108	-	9,108	9,108
Equity investments at fair value through profit and loss	4,927	1,138	-	6,065	6,065
Total financial assets	**4,927**	**625,984**	**-**	**630,911**	**630,911**
Financial liabilities:					
Derivative financial instruments	-	273	-	273	273
Total financial liabilities	**-**	**273**	**-**	**273**	**273**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

i) Financial instruments measured at fair value (continued)

During the year ended 31 December 2024, there were no transfers into or out of Level 2 and level 1 fair value measurements.

Level 2 equity investments at fair value through profit and loss relates to investment in Crane Financial Services (CFS) which was transferred from former Crane Bank Limited (In Liquidation) under an Agreement signed with Bank of Uganda (as the Receiver) on 25 January 2017. This relates to the cash held on accounts in **dfcu** Bank and other banks in the name of Crane Financial Services.

The fair values of the Group's and Company's other financial assets and liabilities that are measured at amortised cost approximate the respective carrying amounts, due to the generally short periods to contractual re-pricing or maturity dates.

The following table sets out the fair values of financial instruments not measured at fair value whose fair value does not approximate the carrying amount and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

At 31 December 2024 Financial assets:	Level 1 Ushs M	Level 2 Ushs M	Level 3 Ushs M	Total Ushs M	Carrying Amount Ushs M
Cash and balances with Bank of Uganda	-	434,817	-	434,817	434,817
Deposits and balances due from other banks	-	211,315	-	211,315	211,315
Government securities at amortised cost	-	739,125	-	739,125	728,018
Loans and advances	-	1,103,524	-	1,103,524	1,132,199
Other financial assets	-	22,971	-	22,971	22,971
Total assets	**-**	**2,511,752**	**-**	**2,511,752**	**2,529,320**
Financial liabilities:					
Customer deposits	-	2,356,281	-	2,356,281	2,356,281
Borrowed funds	-	134,227	-	134,227	149,482
Deposits due to other banks	-	120,256	-	120,256	120,256
Other financial liabilities	-	88,101	-	88,101	88,101
Total liabilities	**-**	**2,698,865**	**-**	**2,698,865**	**2,714,120**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

i) Financial instruments measured at fair value (continued)

At 31 December 2023	Level 1	Level 2	Level 3	Total	Carrying Amount
Financial assets:	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Cash and balances with Bank of Uganda	-	530,176	-	530,176	530,176
Deposits and balances due from other banks	-	255,165	-	255,165	255,165
Government securities at amortised cost	-	371,415	-	371,415	371,415
Loans and advances	-	1,100,368	-	1,100,368	1,125,816
Other financial assets	-	35,913	-	35,913	35,913
Total assets	**-**	**2,293,037**	**-**	**2,293,037**	**2,318,485**
Financial liabilities:					
Customer deposits	-	2,318,572	-	2,318,572	2,318,572
Borrowed funds	-	79,124	-	79,124	84,137
Deposits due to other banks	-	35,033	-	35,033	35,033
Other financial liabilities	-	72,155	-	72,155	72,155
Total liabilities	**-**	**2,504,884**	**-**	**2,504,884**	**2,509,897**

The fair value of financial instruments above is based on observable market transactions.

- **Loans and advances**
  The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows for loans are discounted at the year-end prime lending rate to determine fair value.

- **Government securities**
  The fair value for government securities is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

6. Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

ii) Financial instruments not measured at fair value (continued)

- **Deposits due to customers and other banks**
  The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand and this is the carrying amount. The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using market interest rates. The carrying amounts are a reasonable approximation of this.

- **Borrowings**
  The interest rates charged on borrowings held by the Group are based on the average borrowing rate of the Group, which reflects its credit risk. 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 is based on discounted cash flows using market interest rates.

iii) Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

At 31 December 2024	Designated at FVTL	FVOCI-debt instruments	Amortised cost	Carrying Amount
Financial assets:	**Ushs M**	**Ushs M**	**Ushs M**	**Ushs M**
Cash and balances with Bank of Uganda	434,817	-	-	434,817
Deposits and balances due from other banks	211,315	-	-	211,315
Trading assets	73,724	-	-	73,724
Investment securities	-	582,723	728,018	1,310,741
Loans and advances to customers	-	-	1,132,199	1,132,199
Equity investments	6,543	-	-	6,543
Derivative financial instruments	2,064	-	-	2,064
Other financial assets	5,476	-	17,495	22,971
Total financial assets	**733,939**	**582,723**	**1,877,712**	**3,194,374**
Financial liabilities:				
Customer deposits	-	-	2,356,281	2,356,281
Derivative financial instruments	457	-	-	457
Deposits due to other banks	-	-	120,256	120,256
Borrowed funds	-	-	149,482	149,482
Special funds	-	-	1,193	1,193
Other financial liabilities	-	-	88,101	88,101
Total financial liabilities	**457**	**-**	**2,715,313**	**2,715,770**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6E Fair values of financial assets and liabilities (continued)

iii) Classification of financial assets and financial liabilities (continued)

At 31 December 2023	Designated at FVTL	FVOCI-debt instruments	Amortised cost	Carrying Amount
Financial assets:	**Ushs M**	**Ushs M**	**Ushs M**	**Ushs M**
Cash and balances with Bank of Uganda	530,176	-	-	530,176
Deposits and balances due from other banks	255,165	-	-	255,165
Trading assets	18,288	-	-	18,288
Investment securities	-	597,222	371,415	968,637
Loans and advances to customers	-	-	1,125,816	1,125,816
Equity investments	6,065	-	-	6,065
Derivative financial instruments	228	-	-	228
Other financial assets	9,108	-	15,048	24,156
Total financial assets	**819,030**	**597,222**	**1,512,279**	**2,928,531**
Financial liabilities:				
Customer deposits	-	-	2,318,572	2,318,572
Derivative financial instruments	273	-	-	273
Deposits due to other banks	-	-	35,033	35,033
Borrowed funds	-	-	84,137	84,137
Special funds	-	-	1,193	1,193
Other financial liabilities	-	-	72,155	72,155
Total financial liabilities	**273**	**-**	**2,511,090**	**2,511,363**

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6F Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial positions, are:

- To comply with the capital requirements set by the Financial Institutions Act, 2004 (as ammended) for purposes of the subsidiary, **dfcu** Bank;
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management employing techniques based on the guidelines developed by the Basel Committee, as adapted and implemented by Bank of Uganda for supervisory purposes under the Financial Institutions Act, 2004 (as ammended) (FIA). **dfcu** Bank (the Bank) is required to file information on capital adequacy with Bank of Uganda on a quarterly basis.

As of 31 December 2024, the Financial Institutions Capital Adequacy Requirements Regulations 2024 requires each bank to:

a) have a minimum paid up capital unimpaired by losses of Ushs 150 billion;
b) maintain core capital of not less than 10% of the total risk adjusted assets plus risk adjusted off statement of financial position items; and
c) maintain total capital of not less than 12% of the total risk adjusted assets plus risk adjusted off statement of financial position items.

The Financial Institutions (Capital Buffers and Leverage Ratio) Regulations, 2020 were gazetted and took effect on 31 December 2022, which introduced a Capital Conservation Buffer (CCB) of 2.5% of risk weighted assets over and above the core capital ratio and total capital ratio; a System Risk Buffer for domestic systemically important banks ranging from 0% to 3.5% of risk weighted assets over and above the CCB, a Countercyclical Capital Buffer of 0% of risk weighted assets and a minimum leverage ratio of 6% of the total balance sheet and off balance sheet assets.

The total regulatory capital to be held by the Bank is divided into two tiers:

- Tier 1 capital (core capital): share capital, share premium, plus retained earnings less goodwill and similar intangible assets, investments in unconsolidated subsidiaries and future income tax benefits.
- Tier 2 capital (supplementary capital): revaluation reserves, general provisions for losses not exceeding 1.25% of risk weighted assets, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

Notes to the consolidated and separate financial statements (continued)

6. Financial risk management (continued)

6F Capital management

The risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of – and reflecting an estimate of the credit risk associated with - each asset and counterparty. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses. The table below summarises the composition of regulatory capital and the ratios of **dfcu** Bank:

	2024 Ushs M	2023 Ushs M
Before dividend declaration		
Tier 1 capital	549,751	521,305
Tier 1 + Tier 2 capital	561,373	532,724
After dividend declaration		
Tier 1 capital	519,696	507,690
Tier 1 + Tier 2 capital	531,319	519,109
FIA ratio (Before dividend declaration)		
Tier 1 (FIA minimum -10%)	30.79%	29.59%
Tier 1 + Tier 2 (FIA minimum - 12%)	31.44%	30.24%
FIA ratio (after dividend declaration)		
Tier 1 (FIA minimum -10%)	29.11%	28.81%
Tier 1 + Tier 2 (FIA minimum - 12%)	29.76%	29.46%

Capital adequacy under Basel II

On June 26, 2004, the Basel Committee on Banking Supervision released "International Convergence of Capital Measurement and Capital Standards: A revised framework", which is commonly known as the Basel II Accord. In Basel II, apart from credit and market risk, operation risk was included in the capital adequacy ratio calculation. These are prudential guidelines which are currently monitored by BoU and these will form part of the proposed amendments to the capital adequacy regulations.

6. Financial risk management (continued)

6G Leverage ratio

The Group is required at all times to comply with a leverage ratio equal to or greater than 6% of the total on-balance and off-balance sheet assets. The bank maintained a ratio that is above the minimum requirement. Below is the computation of the leverage ratio as at 31 December 2024;

		2024 Ushs M	2022 Ushs M
Capital measure	Basel III Tier 1 capital	519,696	507,690
Exposure measure	on and off balance sheet exposure (regulatory):		
	Total on balance sheet assets	3,489,833	3,207,461
	Off balance sheet items	332,106	272,721
		3,821,939	**3,480,182**
Leverage ratio:		**13.60%**	**14.59%**

6H Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Recognising that operational risk cannot be entirely eliminated, the Group implemented risk mitigation controls including fraud prevention, contingency planning, information security and incident management and continues to enhance the same. Where appropriate, this strategy is further supported by risk transfer mechanisms such as insurance.

Over the past year, the Group has continued to invest heavily in technology/systems to create more digital channels, increase operational efficiency in a bid to leverage on IT to drive its strategy.

A failure to ensure this information is kept safe and used in a way that regulators and customers expect, may significantly impact relationships with these stakeholders and the broader community.

The Group has put in place measures to address the operational risks as highlighted below;

- The Group has and continues to invest significantly in data, analytics and cyber-security capabilities to better meet evolving customer needs and expectations, and to reduce the potential for data breaches.
- The Group actively engages with regulators to ensure that there is appropriate mutual understanding of the technology space and that evolution in regulation appropriately balances the value of giving customers control of their data, with the Group's duty to protect customers' privacy and security.
- The Group continuously invests in IT system security and identifies and accesses management controls to secure the confidentiality, integrity and availability of the Group's data.
- The employees undergo mandatory training modules to ensure they understand the importance of data security and their obligations in relation to the data they have access to.
- As the second line of defense, the Group's risk department was boosted with officers with IT security skills to monitor the activities of the first line of defense by performing risk assurance reviews, monitoring all user activity on key systems in order to timely detect any irregularity and advise adequate response.

7. a) Classification of financial assets and financial liabilities

The Group's accounting policies on the classification of financial instruments under IFRS 9 are indicated below. The application of these policies resulted in the classifications set out in the table above and explained below.

a) Certain loans and advances to customers held by the Group's investment business are classified under IFRS 9 as mandatorily measured at FVTPL because they are held within a business model in which they are managed and their performance is evaluated on a fair value basis. Internal reporting and performance measurement of these loans and advances are on a fair value basis.

b) The investment securities are measured at FVTPL because the contractual cash flows of these securities are not SPPI on the principal outstanding.

c) Certain debt securities are held by the Group Central Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortised cost under IFRS 9.

d) Certain debt securities are held by the Group Central Treasury in separate portfolios to meet everyday liquidity needs. The Group Central Treasury seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

e) Certain non-trading debt securities are held by the Group Central Treasury in separate portfolios and are managed with an objective of realising cash flows through sale. The Group primarily focuses on fair value information and uses that information to assess the securities' performance and to make decisions. In addition, certain asset-backed securities have contractual cash flows that are not SPPI. These assets are therefore measured at FVTPL under IFRS 9.

f) Certain equity investments held by the Group for strategic purposes have been designated under IFRS 9 as at FVOCI

Notes to the consolidated and separate financial statements (continued)

7. b) Classification of assets and liabilities

The table below shows the classification of the assets and liabilities as current and non-current:

	2024 (Ushs M)			2023 (Ushs M)		
Group	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Assets:						
Cash and balances with Bank of Uganda	434,817	-	434,817	530,176	-	530,176
Deposits and balances due from other banks	211,315	-	211,315	255,165	-	255,165
Government and other securities	682,431	702,034	1,384,465	371,519	615,406	986,925
Loans and advances to customers	748,374	383,825	1,132,199	755,820	369,996	1,125,816
Investment in equity shares	-	6,543	6,543	-	6,065	6,065
Other assets	33,619	-	33,619	29,791	-	29,791
Derivative financial instruments	2,064	-	2,064	228	-	228
Deferred income tax asset	-	87,859	87,859	-	65,226	65,226
Property and equipment	-	80,362	80,362	-	83,208	83,208
Investment property	-	18,849	18,849	-	19,295	19,295
Intangible assets	-	36,148	36,148	-	27,142	27,142
Assets held for disposal	832	-	832	29,089	-	29,089
Total Assets	**2,113,452**	**1,315,620**	**3,429,072**	**1,971,788**	**1,186,338**	**3,158,126**
Liabilities:						
Customer deposits	2,356,251	30	2,356,281	2,312,136	6,436	2,318,572
Derivative financial instruments	457	-	457	273	-	273
Deposits due to other banks	120,256	-	120,256	35,033	-	35,033
Other liabilities	72,923	15,178	88,101	63,173	8,982	72,155
Borrowed funds	52,848	96,634	149,482	39,195	44,942	84,137
Special funds	1,193	-	1,193	1,193	-	1,193
Current income tax payable	4,685	-	4,685	542	-	542
Provisions	4,364	-	4,364	2,188	-	2,188
Total Liabilities	**2,612,977**	**111,842**	**2,724,819**	**2,453,733**	**60,360**	**2,514,093**
Net Assets	**(499,525)**	**1,203,778**	**704,253**	**(481,945)**	**1,125,978**	**644,033**

Notes to the consolidated and separate financial statements (continued)

7. b) Classification of assets and liabilities (continued)

	2024 (Ushs M)			2023 (Ushs M)		
Company	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Assets:						
Amounts due from Group companies	2,092	-	2,092	4,558	-	4,558
Other assets	195	-	195	93	-	93
Current income tax recoverable	745	-	745	677	-	677
Investment in subsidiaries	-	203,293	203,293	-	203,293	203,293
Investment property	-	36,595	36,595	-	38,043	38,043
Total Assets	**3,032**	**239,888**	**242,920**	**5,328**	**241,336**	**246,664**
Liabilities:						
Other liabilities	2,777	-	2,777	3,162	-	3,162
Deferred income tax liability	311	-	311	-	291	291
Amounts due to Group companies	3,127	10,087	13,214	1,665	18,663	20,328
Total Liabilities	**6,215**	**10,087**	**16,302**	**4,827**	**18,954**	**23,781**
Net Assets	**(3,183)**	**229,801**	**226,618**	**501**	**222,382**	**222,883**

8. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

- **dfcu** Limited, which is the holding company that is listed on the Uganda Stock Exchange. The Company derives its revenues mainly from rental income charged on its investment property.
- **dfcu** Bank Limited: This is the commercial banking segment which provides innovative products and superior service levels catering for customer needs in the areas of savings and investment products, personal and current accounts, personal credit, corporate credit, trade finance, foreign exchange trading, money market transfers, etc. It also consists of a development finance segment which provides medium and long-term finance to private sectors in Uganda. The sectors include agro processing, education, health, manufacturing, transport, hospitality industry, tourism and construction. The Bank's main source of income is interest income on loans and advances which accounts for 42% of the Group's total revenue for the year ended 31 December 2024 (2023: 47%).

During the year 35% (2023: 29%) of the Group's revenue was earned from Government securities. No other single external customer contributes revenue amounting up to 10% of the Group's revenue.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured the same as the operating profit or loss in the consolidated financial statements.

Notes to the consolidated and separate financial statements (continued)

8. Segment information (continued)

The segment results for the year ended 31 December 2024 were as follows:

	dfcu Limited	dfcu Bank	Intra-segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M
Interest income	554	363,154	(2,142)	361,566
Interest expense	(1,587)	(99,451)	6,769	(94,269)
Fee and commission income and other operating income	7,917	92,245	(6,823)	93,339
Income from transactions with operating segments of the same entity	13,615	-	13,615	-
Employee benefits	(917)	(95,860)	-	(96,777)
Professional and consultancy fees	(4,658)	(51,216)	-	(55,874)
Communication fees	(33)	(39,816)	-	(39,849)
Other operating expenses	(3,257)	(99,124)		(100,164)
Fair value losses on other financial assets	-	(716)	-	(716)
Expected credit recovery on financial assets	-	12,007	-	12,007
Profit before income tax	**11,634**	**81,223**	**(13,594)**	**79,263**
Income tax expense	(1,091)	(6,086)	1	(7,176)
Profit for the year	**10,543**	**75,137**	**(13,593)**	**72,087**

The segment results for the year ended 31 December 2023 were as follows:

	dfcu Limited	dfcu Bank	Intra-segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M
Interest income	160	351,459	(1,955)	349,664
Interest expense	(1,942)	(91,991)	1,955	(91,978)
Fee and commission income and other operating income	7,638	97,707	(5,855)	99,490
Income from transactions with operating segments of the same entity	12,257	-	(12,257)	-
Employee benefits	(763)	(88,043)	1	(88,805)
Professional and consultancy fees	(4,131)	(35,769)	120	(39,780)
Communication fees	(36)	(35,440)	-	(35,476)
Other operating expenses	(3,897)	(85,778)	5,733	(83,942)
Fair value losses on other financial assets	-	(3,381)	-	(3,381)
Expected credit recovery on financial assets	-	(82,714)	-	(82,714)
Profit before income tax	**9,286**	**26,050**	**(12,258)**	**23,078**
Income tax expense	(2,346)	7,988	-	5,642
Profit for the year	**6,940**	**34,038**	**(12,258)**	**28,720**

Notes to the consolidated and separate financial statements (continued)

8. Segment information (continued)

As at 31 December 2024

	dfcu Limited	dfcu Bank	Intra-segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M
Assets held for disposal	-	832	-	832
Other assets	242,920	3,467,471	(282,151)	3,428,240
Total assets	**242,920**	**3,468,303**	**(282,151)**	**3,429,072**
Total liabilities	16,302	2,786,640	(78,123)	2,724,819
Capital expenditure	87	31,856	-	31,943

As at 31 December 2023

	dfcu Limited	dfcu Bank	Intra-segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M
Assets held for disposal*	-	29,089	-	29,089
Other assets	246,664	3,174,918	(292,545)	3,129,037
Total assets	**246,664**	**3,204,007**	**(292,545)**	**3,158,126**
Total liabilities	23,782	2,578,807	(88,496)	2,514,093
Capital expenditure	75	33,840	-	33,915

* The segment in which the assets held for disposal relate to was not disclosed in the 2023 financial statements and has been included in the current year comparatives in order to comply with the requirements of IFRS 5.

The Group's operations are all attributed to Uganda, the Company's country of domicile.

The table below indicates the Group's interest income for each group of similar products:

	dfcu Limited	dfcu Bank	Intra-segment items	Group
	Ushs M	Ushs M	Ushs M	Ushs M
Year ended 31 December 2024	554	363,154	(2,142)	361,566
Year ended 31 December 2023	160	351,459	(1,955)	349,664

Notes to the consolidated and separate financial statements (continued)

9. Interest and similar income

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
(a) Interest calculated using the effective interest method				
Loans and advances	189,620	209,012	-	-
Placements and investments with other banks	10,973	5,852	554	160
Government and other securities	159,275	131,960	-	-
	359,868	**346,824**	**554**	**160**
(b) Other interest and similar income				
Interest income on finance leases	1,698	2,840	-	-
Total interest income	**361,566**	**349,664**	**554**	**160**

10. Interest and similar expenses

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Borrowed funds	5,849	6,944	1,587	1,942
Customer deposits	84,379	71,391	-	-
Interest expense on lease liability	4,041	13,643	-	-
	94,269	**91,978**	**1,587**	**1,942**

11. Net trading and other income

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Net unrealised foreign exchange gain/(loss)	2,134	(633)	(12)	(67)
Net unrealised gain on government securities	2,216	2,430	-	-
Fixed trading income	19,365	16,067	-	-
Rental income	1,066	1,831	7,140	6,998
Profit on disposal of fixed assets	120	668	-	-
	24,901	**19,823**	**7,128**	**6,931**

12. Net income from other financial instruments at FVTPL

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Recoveries from other assets measured at FVTPL	**1,909**	**14,264**	**-**	**-**

This represents cash collections from the managed portfolio of other assets measured at FVTPL net of recovery costs. These recoveries are from assets that had been written off the portfolio.

Notes to the consolidated and separate financial statements (continued)

13. Fee and commission income

In the table below, fee and commission income from contracts worth customers in the scope of IFRS 15 is disaggregated by major types of services.

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Major service lines				
Domestic commissions	57,536	55,381	789	707
Foreign commissions	5,908	5,834	-	-
Total fee and commission from contracts with customers	**63,444**	**61,215**	**789**	**707**
Financial guarantee contracts and loan commitments	3,085	4,188	-	-
Total fee and commission income	**66,529**	**65,403**	**789**	**707**

Fee and commission income includes fees and commissions from ledger fees, money transfers, low balance fees, statement fees, unpaid cheques charges, URA licensing, ATM commissions, letters of credit fees, letters of guarantee, telegraphic transfer fees, and other fees and commissions.

The table below links the fees and commissions income to the performance obligations:

		Group		Company	
		2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Type of service	**Service lines**				
Category A	Activity fees	21,651	24,561	-	-
Category B	Annual review charges	1,016	925	-	-
Category C	Commissions	7,824	7,232	-	-
Category D	Guarantees and commitment fees	3,085	4,188	-	-
Category E	Electronic banking charges	5,010	3,688	-	-
Category F	Telegraphic transfers and Letter of credit charges	5,687	5,606	-	-
Category G	Other commissions	22,256	19,203	789	707
	Total fee and commission income	**66,529**	**65,403**	**789**	**707**

Notes to the consolidated and separate financial statements (continued)

13 Fee and commission income (continued)

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

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 2024	Revenue recognition under IFRS 15
Category A (Activity charges)	These are transactional fees based on revenue that mainly comprise of but not limited to commissions on cheques cashed, statement charges, auxiliary charges, management fees, payments and collection related fees. PO satisfied – Revenue is currently recognised at the end of the month, for the services provided during that month (operational efficiency).	- Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides account transaction services - Transaction price – monthly fees in line with the contractual agreement. - Allocation of price to PO – single performance obligation, no allocation necessary.
Category B (Annual review charges)	Annual review charge - It's an annual fee charged basing on the loans held in the year. This revenue is recognised annually on usually corporate loans. PO satisfied – at a point in time in the year when the loan review has been performed.	- Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides loan review services. - Transaction price – annual fee charged basing on the contractual agreement. - Allocation of price to PO – single performance obligation - Revenue should be spread over the period as services are provided before the next payment.

Notes to the consolidated and separate financial statements (continued)

13. Fee and commission income (continued)

Performance obligations and revenue recognition policies (continued)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms 2024	Revenue recognition under IFRS 15
Category C (Commissions)	These are fees charged on card related transaction. These comprise of ATM commissions, Express Money commission, Visa Commissions, MoneyGram commissions and issuance fee of debit cards. It is a standard fee. PO satisfied – Revenue is currently recognised at a point in time, after the transaction is processed.	- Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides card services at specific points of time and over time. - Transaction price – fee charged in terms of the arrangement with customer at point of transaction. - Allocation of price to PO – single performance obligation for each of the services, no allocation necessary.
Category D (Guarantees and commitment fees)	Guarantees and commitment fees This is a transactional based fee on guarantees issued. Timing of revenue for guarantees - Quarterly fee collection/ recognition or upfront fees depending on contract with client. Most Retail customers pay quarterly while Corporate customers are largely upfront fees for entire tenor of facility. Term / tenor of Guarantees range from 1-5 years. PO satisfied - Commitment fees - Revenue currently recognised upfront	- Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides guarantees, custody fees and commitment fees - Transaction price – fee charged in terms of the arrangement with customer - Allocation of price to PO – Each service is a single performance obligation, no allocation necessary. - Performance guarantees - Revenue currently recognised upfront - Commitment and Guarantee fees -The performance obligation is satisfied over the term of the guarantee, thus revenue should be deferred over the term of the guarantee - Where drawdown of the facility is not probable, fees should be deferred over the term of the agreement, on a straight-line basis and recognised in NIR. Where drawdown is probable, fees should be deferred and as part of the EIR and recognised in NII
Category E (Electronic banking charges)	These are fees charged on electronic banking transactions like Money Transfers, Foreign bills, Fx sundries, Telex Transfers. PO satisfied – Revenue is currently recognised at a point in time, after the transaction is processed.	- Enforceable arrangement with customer exists. - Performance obligation (PO) – the Group provides a service (as noted alongside, for electronic banking transactions). - Transaction price – transaction-based fees. - Allocation of price to PO – single performance obligation (for each of the service fees listed), no allocation necessary.

Notes to the consolidated and separate financial statements (continued)

13. Fee and commission income (continued)

Performance obligations and revenue recognition policies (continued)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms 2024	Revenue recognition under IFRS 15
Category F (Telegraphic transfer and Letter of credit charges)	It is a transactional based fee on Incoming TTs and LCs depending on the transaction amount with a capped maximum amount. Letters of credit are usually less than one year. PO satisfied - The Group recognises the fee and commissions upfront because the difference as a result of deferring is immaterial.	- Enforceable arrangement with customer exists. - Performance obligation (PO) – Group to provide a service, provide inter account transfers that are done by customers and LCs - Transaction price – fee is charged per transaction and LCs depending on the transaction amount with a capped maximum amount - Allocation of price to PO – single performance obligation, no allocation necessary. - TT's - Revenue recognised at a point in time, when service has been provided - Letters of credit - the performance obligation is satisfied over the term of the LC, thus revenue should be deferred over the term of the loan - Fees are currently recognised upfront. Business to monitor and reassess accounting treatment when amounts become material - Where drawdown of the facility is not probable, fees should be deferred over the term of the agreement, on a straight-line basis and recognised in NIR. Where drawdown is probable, fees should be deferred and as part of the EIR and recognised in NII
Category G (Other commissions)	Sundries (BOU Chqs, S/O, URA, Mgt fees) KCCA Commission URA Licencing PO satisfied – Revenue is currently recognised at a point in time, after the transaction is processed.	- Enforceable arrangement with customer exists. - Performance obligation (PO) – Group to provide a service (as noted alongside, for electronic banking transactions). - Transaction price – transaction-based fees. - Allocation of price to PO – single performance obligation (for each of the service fees listed), no allocation necessary.

Notes to the consolidated and separate financial statements (continued)

14. Operating expenses

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Employee benefits expenses (note 15)	96,777	88,805	917	763
Depreciation of property and equipment (note 29)	18,884	16,445	-	-
Depreciation of the investment property (note 28)	523	489	1,535	1,578
Amortisation of intangible assets (note 30)	6,122	6,910	-	-
Auditors' remuneration	742	847	194	177
Occupancy expenses	1,072	1,741	12	19
Professional and consultancy fees	55,874	39,780	4,658	4,131
Communication costs	39,849	35,476	33	36
Transport and travel costs	3,914	2,969	44	31
Advertising and publicity costs	9,512	6,059	19	45
Other expenses (note 16)	59,395	48,482	1,453	2,047
	292,664	**248,003**	**8,865**	**8,827**

15. Employee benefits expenses

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Wages and salaries	85,407	78,298	831	676
Retirement benefits costs	3,766	3,505	21	21
National Social Security Fund contributions	7,604	7,002	65	66
	96,777	**88,805**	**917**	**763**

The average number of employees of the group during the year was 1,301 (2023: 1,140)

Notes to the consolidated and separate financial statements (continued)

16. Other expenses

	Group		Company	
	2024	2023	2024	2023
	Ushs M	Ushs M	Ushs M	Ushs M
Stationery and printing	2,373	2,303	1	1
Contribution to the deposit protection fund	5,981	5,828	-	-
Insurance expenses	2,260	2,412	334	371
Staff medical and welfare	5,487	3,880	-	-
Staff training	2,038	1,216	-	-
Electricity and water	2,652	2,754	-	-
Security expenses	2,831	2,664	-	-
Machine and furniture repairs and maintenance	1,145	1,302	-	585
Office cleaning and maintenance	1,353	1,149	-	-
Director fees and board expenses	3,207	1,383	692	765
Bank of Uganda clearing and cash processing fees	3,376	878	-	-
Staff entertainment costs	1,333	1,564	-	-
Staff uniform and leave expenses	144	304	-	-
Terminal benefits and expatriate fees	995	1,545	-	-
Cash in transit charges	1,056	825	-	-
Subscriptions	613	171	136	125
Cash shortages	72	119	-	-
Newspapers and magazines	42	23	6	-
Bank of Uganda licence fees	225	225	-	-
Stamp duty and other tax relates expenses	1,508	3,506	-	-
Fair value losses on equity shares	208	-	-	-
Agency Banking costs	9,984	7,898	-	-
VISA charges	5,881	3,471	-	-
Machine leasing costs	1,847	1,218	-	-
Operational, frauds and losses	135	218	-	-
Charity, donations and sponsorships	1,293	1,136	1	-
Annual general meeting expenses	281	198	281	198
Bank charges, frauds and losses	715	292	2	2
	59,395	**48,482**	**1,453**	**2,047**

17. Dividends

a) During the year, no interim dividend was paid (2023: Nil). At the next Annual General Meeting proposed to be held in June 2025, the directors plan to recommend the payment of a final dividend for the year ended 31 December 2024 of Ushs 15,027 million (2023: 6,808 million) or Ushs 20.09 per share (2021: Ushs 9.10 per share). Payment of dividends is subject to withholding tax at rates depending on the tax residence of the shareholder.

b) During the year, the Company received a final dividend from its subsidiary, **dfcu** Bank Limited, of Ushs 13,615 million (2023: Ushs 12,257 million) or Ushs 9.08 per share (2023: Ushs 8.19 per share). The payment of dividends to the Company is not subject to withholding tax as the Company owns 100% of **dfcu** Bank Limited and is resident in Uganda.

18. Credit loss expense on financial assets (Group)

	2024 Ushs M	2023 Ushs M
Increase in allowances for impairment on loans and advances (note 23)	12,817	105,321
Recoveries and allowances on loans and advances no longer required (note 23)	(16,960)	(12,522)
Recoveries on loans and advances previously written off (note 23)	(11,881)	(9,206)
Movement in expected credit losses on loans and advances to customers	**(16,024)**	**83,593**
Decrease in allowances for impairment on balances with Bank of Uganda (note 21)	(17)	(840)
Increase in allowances for impairment on balances with other banks (note 22)	(50)	(25)
Increase in allowances for impairment on other assets (note 27)	30	(17)
Increase/(decrease) in allowances for impairement of FVOCI financial assets (note 41)	1,294	(39)
Increase in allowances for investment securities (note 25)	2,760	42
Movement in expected credit losses on other assets	4,017	(879)
Expected credit (recovery)/loss on financial assets	**(12,007)**	**82,714**

19. Earnings per share - Group

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2024	2023
Net profit attributable to equity holders of the Company (Ushs M)	72,087	28,720
Weighted average number of ordinary shares in issue	748,144,033	748,144,033
Basic earnings per share (Ushs)	96.35	38.39
Diluted earnings per share (Ushs)	96.35	38.39

Profit attributable to ordinary shareholders	2024 Ushs M	2023 Ushs M
Net profit attributable to equity holders of the Company	72,087	28,720

There were no potentially dilutive shares outstanding at 31 December 2024 and 2023.

Notes to the consolidated and separate financial statements (continued)

20. Income tax

a) Income tax expense

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Current income tax	27,641	21,420	1,071	1,050
Deferred income tax (credit)/ expense	(20,465)	(27,062)	20	1,296
Income tax expense/(credit)	**7,176**	**(5,642)**	**1,091**	**2,346**

b) Amount recognised in OCI – Group

	2024		
	Before tax	Ushs M Tax (expense)/ benefit	Net of tax
Movement in liability credit reserve	(8,521)	2,168	(6,353)
Movement in debt instrument at FVOCI	1,294	-	1,294
	(7,227)	**2,168**	**(5,059)**
	2023		
Movement in liability credit reserve	(15,806)	4,754	(11,052)
Movement in debt instrument at FVOCI	(39)	-	(39)
	(15,845)	**4,754**	**(11,091)**

c) Reconciliation of effective tax rate

The tax on the Group's and company's profit before income tax differs from the theoretical amount that would arise using the basic tax rate of 30% as follows:

Group:

	2024		2023	
	Effective tax rate	Ushs M	Effective tax rate	Ushs M
Profit before income tax		79,263		23,078
Tax calculated at a tax rate of 30% (2023: 30%)	30%	23,779	30%	6,923
Tax effect of:				
Underprovision of current and deferred tax in previous years	(0.56%)	(447)	2.44%	562
Expenses not deductible for tax purposes1	7.48%	5,930	25.91%	5,980
Net interest income which is subject to final tax2	(26.99%)	(22,086)	(82.79%)	(19,107)
Income tax expense/(credit)	**9.93%**	**7,176**	**(24.45%)**	**(5,642)**

1 These include items like depreciation expenses in non-qualifying assets, donations, entertainment and unrealised loss on the transfer of non-qualifying assets.

2 Includes the income tax differential between interest income on government securities of Ushs 159,275 million (2023: Ushs 131,960 million) taxed at the statutory rate of 30% and withholding tax which is a final tax.

Notes to the consolidated and separate financial statements (continued)

20. Income tax (continued)

c) Reconciliation of effective tax rate (continued)

Company:

	2024		2023	
	Effective tax rate	Ushs M	Effective tax rate	Ushs M
Profit before income tax		11,656		9,286
Tax calculated at a tax rate of 30% (2023: 30%)	30%	3,497	30.00%	2,786
Tax effect of:				
Underprovision of current and deferred tax in previous years	(3.84%)	(447)	6.05%	562
Expenses not deductible for tax purposes1	27.43%	3,197	40.11%	3,725
Net interest income which is subject to final tax2	(44.23%)	(5,156)	(50.90%)	(4,727)
Income tax expense	**9.36%**	**1,091**	**25.26%**	**2,346**

Income taxed at other rates refers to rental income taxed separately from the other business income. Further information on deferred income tax is presented in note 30.

d) Current income tax (recoverable) / payable

The movements in current tax payable are as follows:

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
At 1 January	542	1,550	(677)	(655)
Current income tax expense for the year	27,641	21,420	1,071	1,050
Current tax paid during the year	(23,498)	(22,428)	(1,139)	(1,072)
At 31 December	**4,685**	**542**	**(745)**	**(677)**

Notes to the consolidated and separate financial statements (continued)

21. Cash at hand and balances with Bank of Uganda - Group

	2024 Ushs M	2023 Ushs M
Balances with Bank of Uganda	243,793	318,040
Expected Credit Loss adjustment	(55)	(72)
	243,738	**317,968**
Cash in hand	191,079	212,208
	434,817	**530,176**

The fair value of cash and balances with Bank of Uganda approximates the carrying amount. As disclosed in note 45, the restricted cash balance with Bank of Uganda is Shs 232,060 million (2023: Ushs 210,820 million).

The balance with Bank of Uganda was classified as B3 with a stable outlook, under stage 1 as at 31 December 2024 and 2023. There were no transfers between stages for both years.

	2024 Ushs M	2023 Ushs M
At 1 January	72	912
Impairment recognized during the year	(17)	(840)
At 31 December	**55**	**72**

22. Deposits and balances due from banks - Group

	2024 Ushs M	2023 Ushs M
Deposits with other banks	57,888	144,574
Placements with other banks	153,462	110,676
	211,350	**255,250**
Expected Credit Loss adjustment	(35)	(85)
	211,315	**255,165**

Deposits and balances due from other banks are short-term deposits made for varying periods of between one day and three months, depending on the immediate cash requirements of the Bank, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate on deposits and balances due from other banks was 14.43% (2023: 11%). The fair value of loans and advances to other banks approximates the carrying amount.

22. Deposits and balances due from banks - Group (continued)

The deposits and balances due from other banks were classified as high grade, under stage 1 as at 31 December 2024 and 2023. There were no transfers between stages for both years.

	2024 Ushs M	2023 Ushs M
At 1 January	85	110
Impairment recognized/(derecognised) during the year	(50)	(25)
At 31 December	**35**	**85**

23. Loans and advances to customers - Group

	2024 Ushs M	2023 Ushs M
Loans and advances to customers at amortised cost	1,143,453	1,156,279
Finance leases	16,048	15,329
Deferred fees and commission	(6,556)	(5,545)
	1,152,945	**1,166,063**
Less impairment loss allowance	(20,746)	(40,247)
	1,132,199	**1,125,816**

	Gross carrying amount 2024 Ushs M	ECL allowance 2024 Ushs M	Net carrying amount 2024 Ushs M	Gross carrying amount 2023 Ushs M	ECL allowance 2023 Ushs M	Net carrying amount 2023 Ushs M
Retail customers	550,309	(4,430)	545,879	478,992	(10,035)	468,957
Corporate customers	602,636	(16,316)	586,320	687,071	(30,212)	656,859
	1,152,945	**(20,746)**	**1,132,199**	**1,166,063**	**(40,247)**	**1,125,816**

The weighted average effective interest rate on loans and advances was 17.65% (2023: 14.22%).

Notes to the consolidated and separate financial statements (continued)

23. Loans and advances to customers (continued)

Movements in allowance for impairment of loans and advances

As at 31 December 2024:	Stage 1 Ushs M	Stage 2 Ushs M	Stage 3 Ushs M	Total Ushs M
At 1 January 2024	11,769	4,439	24,039	40,247
Increase in allowances for expected credit losses	-	-	12,817	12,817
Recoveries and allowances no longer required	(5,892)	(3,452)	(7,616)	(16,960)
Debts written off during the year	-	-	(15,358)	(15,358)
At 31 December 2024	**5,877**	**987**	**13,882**	**20,746**
Charge to statement of comprehensive income (2024)				
Increase in allowances for expected credit losses	-	-	12,817	12,817
Recoveries and allowances no longer required	(5,892)	(3,452)	(7,616)	(16,960)
Recovery of amounts previously written off	-	-	(11,881)	(11,881)
Net charge to profit or loss	**(5,892)**	**(3,452)**	**(6,680)**	**(16,024)**
As at 31 December 2023:				
At 1 January 2023	9,272	15,887	37,524	62,683
Increase in allowances for expected credit losses	2,497	-	102,824	105,321
Recoveries and allowances no longer required	-	(11,448)	(1,074)	(12,522)
Debts written off during the year	-	-	(115,235)	(115,235)
At 31 December 2023	**11,769**	**4,439**	**24,039**	**40,247**
Charge to statement of comprehensive income (2023)				
Increase in allowances for expected credit losses	2,497	-	102,824	105,321
Recoveries and allowances no longer required	-	(11,448)	(1,074)	(12,522)
Recovery of amounts previously written off	-	-	(9,206)	(9,206)
Net charge to profit or loss	**2,497**	**(11,448)**	**92,544**	**83,593**

The reduction in expected credit losses on loans and advances was primarily driven by management's strategic initiatives to address non-performing loans. These efforts included proactive measures to rehabilitate distressed loans, continuous portfolio monitoring, and tailored support for struggling customers. Additionally, the Group made significant recoveries on loans that had previously been written off, further contributing to the decline in credit losses. By implementing targeted interventions, enhanced risk assessment, and close engagement with borrowers, the Group successfully reduced its non-performing loan ratio from 9.2% in 2023 to 4.50% in 2024. This significant improvement reflects the effectiveness of management's approach in strengthening credit quality and mitigating financial risks.

Notes to the consolidated and separate financial statements (Continued)

23. Loans and advances to customers (continued)

Movements in allowance for impairment of loans and advances (continued)

More information about the significant changes in the gross carrying amount of financial assets during the year that contributed to the changes in the loss allowance is provided in the tables below:

Retail and corporate

Loans and advances to customers at amortised cost	Stage 1 12-month ECL Ushs M	Stage 2 Lifetime ECL Ushs M	Stage 3 Lifetime ECL Ushs M	Total Ushs M
Gross carrying amount as at 1 January 2024	**1,000,709**	**57,179**	**108,175**	**1,166,063**
Changes in the gross carrying amount				
- Transfer to stage 1	59,635	(59,635)	-	-
- Transfer to stage 2	(45,261)	45,261	-	-
- Transfer to stage 3	-	40,988	(40,988)	-
New financial assets originated net of deferred fees	544,521	-	-	544,521
Payoffs and write-offs	(542,280)	-	(15,359)	(557,639)
Gross carrying amount as at 31 December 2024	**1,017,324**	**83,793**	**51,828**	**1,152,945**
Loss allowance as at 31 December 2024	(5,877)	(987)	(13,882)	(20,746)
Carrying amount	**1,011,447**	**82,806**	**37,946**	**1,132,199**

Loans and advances to customers at amortised cost	Stage 1 12-month ECL Ushs M	Stage 2 Lifetime ECL Ushs M	Stage 3 Lifetime ECL Ushs M	Total Ushs M
Gross carrying amount as at 1 January 2023	**1,169,626**	**146,823**	**107,679**	**1,424,128**
Changes in the gross carrying amount				
- Transfer to stage 1	47,001	(47,001)	-	-
- Transfer to stage 2	(89,289)	89,289	-	-
- Transfer to stage 3	-	(115,731)	115,731	-
New financial assets originated net of deferred fees	356,087	-	-	356,087
Payoffs and write-offs	(482,716)	(16,201)	(115,235)	(614,152)
Gross carrying amount as at 31 December 2023	**1,000,709**	**57,179**	**108,175**	**1,166,063**
Loss allowance as at 31 December 2023	(11,769)	(4,439)	(24,039)	(40,247)
Carrying amount	**988,940**	**52,740**	**84,136**	**1,125,816**

Loans and advances to customers include finance lease receivables, which may be analysed as follows:

	2024 Ushs M	2023 Ushs M
Gross investment in finance leases:		
Not later than 1 year	873	1,513
Later than 1 year and not later than 5 years	12,733	13,816
Later than 5 years	2,442	-
Gross investment in finance leases	**16,048**	**15,329**
Unearned future finance income on finance leases	(4,626)	(3,222)
Net investment in finance leases	**11,422**	**12,107**

Notes to the consolidated and separate financial statements (continued)

23. Loans and advances to customers (continued)

The net investment in finance leases may be analysed as follows:

	2024 Ushs M	2023 Ushs M
Not later than 1 year	622	1,195
Later than 1 year and not later than 5 years	9,062	10,912
Later than 5 years	1,738	-
	11,422	**12,107**

Included in the allowance for impairment of loans and advances as at 31 December 2024 is Ushs 43 million (2023: Ushs 161 million) attributable to impairment of finance lease receivables. The carrying value of loans and advances to customers is approximately equal to its fair value.

24. Equity investments – Group

	2024 Ushs M	2023 Ushs M
Equity investments at fair value through profit or loss:		
New Vision Limited	55	55
Bank of Baroda (U) Limited	4,596	3,901
National Insurance Corporation	743	966
Kenya Commercial Bank Limited	11	5
	5,405	**4,927**
Other equity investments:		
Crane Financial Services	1,138	1,138
	6,543	**6,065**

Investment in Crane Financial Services (CFS) was transferred from former Crane Bank Limited (In Liquidation) under an Agreement signed with Bank of Uganda (as the Receiver) on 25 January 2017. This relates to the cash held on accounts in **dfcu** Bank and other banks in the name of Crane Financial Services. The carrying amount of the investment in CFS is approximately equal to its fair value.

All the equity investments at FVTPL are traded on the Uganda Securities Exchange (USE) except for Kenya Commercial Bank Limited shares which are traded in Nairobi Securities Exchange (NSE). The number of shares held at each reporting date is indicated below:

	2024 Number of shares	2023 Number of shares
New Vision Limited	359,693	359,693
Bank of Baroda (U) Limited	206,570,400	260,060,500
National Insurance Corporation	148,645,383	148,645,383
Kenya Commercial Bank Limited	10,000	10,000

24. Equity investments – Group (continued)

The trading prices per share at the last date of trading for the years ended 31 December 2024 and 2023 were as follows:

	2024 Ushs M	2023 Ushs M
New Vision Limited	152	153
Bank of Baroda (U) Limited	22	15
National Insurance Corporation	5.0	6.5
Kenya Commercial Bank Limited	1,121	526

During the year, the Bank did not purchase any additional shares. The changes in equity investments at FVTPL during the year were as follows:

	2024 Ushs M	2023 Ushs M
At 1 January	4,927	5,842
Shares de-recognised during the year	(833)	(5,804)
Increase in shares due to rights issue: Bank of Baroda	-	4,420
Fair value losses	1,311	469
	5,405	**4,927**

The Group's investment in equities that are designated at fair value through profit or loss represent equities for which there is an active market and where the Bank holds less than 20% of the voting rights of the investee companies and the Bank does not have significant influence over the financial and operating decisions of the investee companies.

Below is the sensitivity of the share prices to the bank's profit and loss and the resultant effect to the bank's equity;.

	2024 Ushs M			2023 Ushs M		
	Fair value gain/(loss)	Tax impact	Net impact on equity	Fair value gain/(loss)	Tax impact	Net impact on equity
10% increase in share price	541	(162)	379	493	(148)	345
10% decrease in share price	(541)	162	(379)	(493)	148	(345)

The other equity investment relates to the Group's investment in Crane Financial Services. This relates to the payment made by the Bank for Crane Financial Services as part of the assets acquired from Crane Bank Limited (in receivership).

25. Investments in securities – Group

	2024 Ushs M	2023 Ushs M
Amortised cost:		
Investment securities measured at amortised cost	730,906	371,543
Expected credit loss adjustment	(2,888)	(128)
	728,018	**371,415**
At FVOCI - debt instruments:		
Investment securities measured at FVOCI - debt instruments	582,723	597,222
Total investment securities	1,313,629	968,765
Total Expected credit loss adjustment	(2,888)	(128)
	1,310,741	**968,637**

Movement in investment securities:

	2024 Ushs M	2023 Ushs M
At 1 January	968,637	902,379
Additions during the year	3,075,953	528,646
Maturities during the year	(2,733,305)	(464,776)
Fair value gain during the year	2,216	2,430
Movement in expected credit loss	(2,760)	(42)
At 31 December	**1,310,741**	**968,637**
Maturing as follows:		
Maturing within 1 month	220,331	150,768
Maturing between 1-3 months	117,266	31,404
Maturing within 3-12 months	267,139	171,058
Maturing between 1-5 years	706,005	615,407
	1,310,741	**968,637**

The investment securities were classified as high grade, under stage 1 as at 31 December 2024 and 2023. There were no transfers between stages for both years.

	2024 Ushs M	2023 Ushs M
At 1 January	128	86
Impairment recognized/(derecognised) during the year	2,760	42
At 31 December	**2,888**	**128**

26. Trading assets - Group

	Trading assets		Trading liabilities	
	2024	2023	2024	2023
	Ushs M	Ushs M	Ushs M	Ushs M
Non-derivatives	79,113	17,940	-	-
Trading assets FVTPL	(5,389)	348	-	-
	73,724	**18,288**	**-**	**-**
Maturing as follows:				
Maturing within 1 month	-	-	-	-
Maturing between 1–3 months	-	-	-	-
Maturing within 3-12 months	73,724	18,288	-	-
Maturing between 1-5 years	-	-	-	-
	73,724	**18,288**	**-**	**-**

	Pledged trading asset	Non-pledged trading assets	Total trading assets	Pledged trading asset	Non-pledged trading assets	Total trading assets
	2024	2024	2024	2023	2023	2023
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Government bonds	-	62,664	62,664	-	9,170	9,170
Treasury bills	-	11,060	11,060	-	9,118	9,118
	-	**73,724**	**73,724**	**-**	**18,288**	**18,288**

Treasury bills are debt securities issued by the Government of Uganda, and administered by the Bank of Uganda, for a term of three months, six months, nine months or a year. Treasury bonds are debt securities issued by the Government of Uganda and administered by the Bank of Uganda, for terms of two years, three years, five years, ten years and fifteen years. The weighted average effective interest rate on government securities was 14.54%. (2023: 13.7%).

Notes to the consolidated and separate financial statements (continued)

27. Other assets

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Other assets at amortised cost (except prepayments):				
Sundry receivables	9,987	9,599	-	-
Other assets	7,562	5,473	116	2
Expected credit loss adjustment	(54)	(24)	-	-
	17,495	**15,048**	**116**	**2**
Other assets at FVTPL:				
Other financial assets at fair value through profit and loss	5,476	9,108	-	-
	22,971	**24,156**	**116**	**2**
Prepayments:				
Prepaid expenses	10,648	5,635	79	91
	33,619	**29,791**	**195**	**93**

Other financial assets at fair value through profit or loss relate to the fair valuation of written off and non-performing loans and advances acquired from Crane Bank Limited. The carrying value of other assets is approximately equal to its fair value.

The movement in expected credit losses was as follows:

	2024 Ushs M	2023 Ushs M
At 1 January	24	41
Impairment recognized/(derecognised) during the year	30	(17)
At 31 December	**54**	**24**

Notes to the consolidated and separate financial statements (continued)

27. Other assets (continued)

The table below summarises the movement in other financial assets at fair value through profit or loss:

	2024 Ushs M	2023 Ushs M
At 1 January	9,108	26,501
Settlements against the asset	(2,916)	(14,012)
Fair value loss	(716)	(3,381)
At 31 December	**5,476**	**9,108**

28. Investment property

Investment property comprises land and buildings at Plot 26 Kyadondo Road, Kampala. This property is held for its rental and capital appreciation. The investment property has been stated on the historical cost basis.

During 2024, the Company resolved to make available for rent to third parties, that part of the property that is not utilised by Group Limited. Consequently, that part of the property is held for rental purposes and has been reclassified to investment property in the consolidated financial statements as shown below. In the separate financial statements of the Company, the entire property is held for rental purposes and is therefore retained as investment property in those financial statements.

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Cost:				
At 1 January	22,868	22,868	56,852	56,777
Additions	-	-	87	75
Transfer from work in progress	77	-	-	-
As at 31 December	**22,945**	**22,868**	**56,939**	**56,852**
Depreciation:				
At 1 January	3,573	3,084	18,809	17,231
Charge for the year	523	489	1,535	1,578
As at 31 December	4,096	3,573	20,344	18,809
Net Book Value	**18,849**	**19,295**	**36,595**	**38,043**
Amount allocated to investment property			18,849	19,295
Amount allocated to property and equipment			17,746	18,748
Total property and equipment			**36,595**	**38,043**

The fair value of the investment property is Ushs 75 billion (2023: Ushs 69 billion). The Group has assessed that the highest and best use of its investment property does not differ from their current use.

The valuation was carried out using the investment method of valuation. The valuer utilised the income capitalisation approach by reference to the net cashflows / rental income from the commercial building portion that is being rented out.

Notes to the consolidated and separate financial statements (continued)

28. Investment property (continued)

The significant unobservable inputs used in the valuation were as follows:

Significant unobservable input

		Range (weighted average)
Building	**Estimated rental value**	US$13 – US$ 18 per square metre depending on the attributes of the space. Gross annual rent is estimated at US$ 1,713,086.6
	Service charge	US$ 4 per square metre and is charged separately. The annual service charge is estimated at US$ 328,991.52
	Parking	Estimated annual rent of US$ 35,280
	Discount rate	6%- 8% (7%)
Land	**Price per acre**	Ushs 8 billion -Ushs 10 billion per acre

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield).

Valuation techniques for investment properties:

Land	**Market Approach** Land was valued by the sales comparison method taking into account factors such as location, services and accessibility.
Buildings	**Income capitalisation approach** The valuer used this approach to estimate the value of income-producing portion of the building. It is based on the expectation of future benefits. This method of valuation relates value to the market rent that a property can be expected to earn and to the resale value.

28. Investment property (continued)

The fair value measurement for the investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Key underlying assumptions in valuation of the investment property included:

- The property and its value is unaffected by any statutory notice or condition of title where title deeds were not inspected, and that neither the property nor its condition, nor its use, nor its intended use, is or will be unlawful.
- No onerous easements, rights of way or encroachments exist by or on the subject properties other than those in favour of statutory bodies, applicable to all such properties, or which could be regarded as customary.
- The market value referred to in the valuation report excludes Value Added Tax and transfer costs
- The property is unaffected by environmental issues

The property is assumed to be free from any structural fault, rot, infestation or defects of any other nature whether exposed or unexposed, including inherent weaknesses due to the use in construction of deleterious materials. There is also an assumption that there are no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of each property are sufficient to support the building constructed or to be constructed thereon.

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Rental income derived from investment properties	1,066	1,763	7,140	6,998
Direct operating expenses (including repairs and maintenance)	(359)	(1,794)	(6,434)	(6,107)
Profit arising from investment properties	**707**	**(31)**	**706**	**891**

Notes to the consolidated and separate financial statements (continued)

29 (a) Property, equipment and right-of-use asset - Group

	Freehold land and buildings Ushs M	Motor vehicle Ushs M	Furniture & equipment Ushs M	Computer equipment Ushs M	Right of Use asset Ushs M	Work-In-Progress Ushs M	Total Ushs M
Cost:							
At 1 January 2024	30,459	4,441	72,292	20,767	59,591	1,721	189,271
Asset reclassifications	-	-	270	(270)	-	-	-
Additions	-	353	1,723	1,930	7,057	5,269	16,332
Transfers from work in progress	77	747	3,535	1,050	-	(5,409)	-
Write offs	-	-	(1,252)	(2,352)	-	(251)	(3,855)
Eliminated on disposal	-	(351)	(1,105)	(363)	-	-	(1,819)
At 31 December 2024	**30,536**	**5,190**	**75,463**	**20,762**	**66,648**	**1,330**	**199,929**
Depreciation:							
At 1 January 2024	5,995	1,866	51,512	13,064	33,626	-	106,063
Asset reclassifications	-	-	509	(509)	-	-	-
Charge for the year	647	1,086	5,660	3,589	7,902	-	18,884
Write offs	-	-	(1,243)	(2,349)	-	-	(3,592)
Eliminated on disposal	-	(351)	(1,074)	(363)	-	-	(1,788)
At 31 December 2024	**6,642**	**2,601**	**55,364**	**13,432**	**41,528**	**-**	**119,567**
Net carrying amount	**23,894**	**2,589**	**20,099**	**7,330**	**25,120**	**1,330**	**80,362**

29 (a) Property, equipment and right-of-use asset – Group (continued)

	Freehold land and buildings Ushs M	Motor vehicle Ushs M	Furniture & equipment Ushs M	Computer equipment Ushs M	Right of Use asset Ushs M	Work-In-Progress Ushs M	Total Ushs M
Cost:							
At 1 January 2023	30,459	3,495	69,013	14,378	53,109	1,567	172,021
Asset reclassifications	-	-	(317)	317	-	-	-
Additions	-	664	2,389	1,245	8,317	12,426	25,041
Transfers from work in progress	-	1,723	3,646	5,518	-	(10,887)	-
Transfers to investment property	-	-	-	-	-	-	-
Write offs	-	(16)	(1,391)	(579)	-	(1,385)	(3,371)
Lease terminated during the year	-	-	-	-	(1,835)	-	(1,835)
Eliminated on disposal	-	(1,425)	(1,048)	(112)	-	-	(2,585)
At 31 December 2023	**30,459**	**4,441**	**72,292**	**20,767**	**59,591**	**1,721**	**189,271**
Depreciation:							
At 1 January 2023	5,277	2,534	48,736	12,563	25,801	-	94,911
Asset reclassifications	-	-	159	(159)	-	-	-
Charge for the year	718	719	4,851	1,342	8,815	-	16,445
Write offs	-	(16)	(1,211)	(570)	-	-	(1,797)
Lease terminated during the year	-	-	-	-	(990)	-	(990)
Eliminated on disposal	-	(1,371)	(1,023)	(112)	-	-	(2,506)
At 31 December 2023	**5,995**	**1,866**	**51,512**	**13,064**	**33,626**	**-**	**106,063**
Net carrying amount	**24,464**	**2,575**	**20,780**	**7,703**	**25,965**	**1,721**	**83,208**

Work-In-Progress (WIP) relates to ongoing works in respect of various projects the Bank is undertaking. There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2023: nil).

(b) Assets held for disposal

dfcu Group acquired some assets and liabilities from former Crane Bank Limited (In Liquidation) under an Agreement signed with Bank of Uganda (as the Receiver) on 25 January 2017. As per the provisions of the Agreement, **dfcu** exercised the option not to purchase the reversionary interest of the properties.

As of 31 December 2020, **dfcu** Group returned the properties to Bank of Uganda (as the Receiver). The expected amount to be recovered is Ushs 29,089 million, which was recorded under assets held for disposal. An impairment amount of Ushs 15,283 million was recognised in other expenses in 2020.

As at 31 December 2024, the outstanding amount receivable was Ushs 832 million (2023: 29,089 million).

Notes to the consolidated and separate financial statements (continued)

30 Intangible assets

	Goodwill	Computer Software	Other Intangible Assets	Work-In-Progress	Total
	Ushs M	Ushs M	Ushs M	Ushs M	Ushs M
Cost					
At 1 January 2024	463	68,198	-	12,813	81,474
Asset reclassifications	-	(51)	-	51	-
Additions	-	417	-	15,194	15,611
Transfers from WIP		13,953	-	(13,953)	-
Write offs	-	(8,776)	-	-	(8,776)
At 31 December 2024	**463**	**73,741**	**-**	**14,105**	**88,309**
Amortisation					
At 1 January 2024	-	54,332	-	-	54,332
Charge for the year	-	6,122	-	-	6,122
Write offs	-	(8,293)	-	-	(8,293)
At 31 December 2024	**-**	**52,161**	**-**	**-**	**52,161**
Net carrying amount	**463**	**21,580**	**-**	**14,105**	**36,148**
Cost					
At 1 January 2023	463	67,494	34,984	4,643	107,584
Additions	-	383	-	8,491	8,874
Transfers from WIP	-	321	-	(321)	-
Write offs	-	-	(34,984)	-	(34,984)
At 31 December 2023	**463**	**68,198**	**-**	**12,813**	**81,474**
Amortisation					
At 1 January 2023	-	47,422	34,984	-	82,406
Charge for the year		6,910		-	6,910
Write offs	-	-	(34,984)	-	(34,984)
At 31 December 2023	-	54,332	-	-	54,332
Net carrying amount	**463**	**13,866**	**-**	**12,813**	**27,142**

Computer software comprises of software for the Group's core banking systems.

Other intangible assets comprises fair valuations of customer relationships acquired from Crane Bank Limited and fair valuations of customer deposits and ground rent. Work-In-Progress (WIP) relates to ongoing works in respect of the various software projects.

30. Intangible assets (continued)

Annual impairment test for goodwill

The Group performed its annual impairment test of goodwill during the year. Goodwill was acquired through the business combination of the subsidiary, **dfcu** Bank as the Cash Generating Unit (CGU). The Group considers the relationship between its market capitalization and its book value among other factors when reviewing for indicators of impairment. As at 31 December 2024, the market capitalization of the Group was below the book value of its entity, an indication of a potential impairment of goodwill.

Management performed a Value in Use (VIU) estimation using the Dividend Discount Model (DDM) as the primary approach and the Market Multiples as a secondary approach.

The DDM involves discounting the expected earnings to shareholders (the dividends stream) at the Equity Required Rate of Return.

The following were the inputs into the DDM;

- Management's forecasts on equity capital requirements to satisfy Capital Adequacy Requirements (CAR) and derived the excess equity capital, distributable to shareholders as the forecast equity cashflows.
- The forecast cashflows were discounted at the low and high cost of equity of 23.12% and 24.36% (an average of 23.74%) derived using the Capital Asset Pricing Model.
- The terminal value was calculated using the long-term Ugandan inflation rate of 5.3%

The Market Multiples approach involved obtaining Price to Book (P/B) multiples of peer companies operating in the same industry as the company. The observed trading multiples were adjusted for country risk and size in order to arrive at an objective equity value. The implied P/B was calculated using the net asset value as at 31 December 2024.

Below is the summary of the valuation results:

	Low Ushs M	High Ushs M	Average Ushs M
Net assets as at 31 December 2024	594,026	594,026	594,026
Goodwill	463	463	463
Total	**594,489**	**594,489**	**594,489**
VIU (DDM)	650,000	698,000	674,000
Headroom/(impairment)	**55,511**	**103,511**	**79,511**
Net assets as at 31 December 2023	594,026	594,026	594,026
Goodwill	463	463	463
Total	**594,489**	**594,489**	**594,489**
VIU (DDM)	650,000	698,000	674,000
Headroom/(impairment)	**55,511**	**103,511**	**79,511**

From the indicative valuation results based on the primary approach (DDM) and the corroborative approach, there is no impairment for goodwill as at 31 December 2024.

Notes to the consolidated and separate financial statements (continued)

31. Deferred income tax

Deferred tax is calculated on all temporary differences under the liability method using the principal tax rate of 30%), except for interest receivable on treasury bills and bonds where the enacted rate is 15% (2023: 15%). Deferred tax assets and liabilities and the deferred tax credit as at 31 December 2024 are attributed to the following items:

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
At 1 January	(65,226)	(33,411)	291	(1,005)
Deferred tax credit to P&L	(20,465)	(27,062)	20	1,296
Deferred tax credit to OCI	(2,168)	(4,753)	-	-
Deferred tax asset	**(87,859)**	**(65,226)**	**311**	**291**

	Group			
2024	At 1 January 2024 Ushs M	(Credit)/ Charge to P&L Ushs M	(Credit)/ Charge to OCI Ushs M	At 31 December 2024 Ushs M
Property and equipment	(2,369)	(31)	-	(2,400)
Tax losses carried forward	(41,653)	(21,245)	-	(62,898)
Deferred fees and commissions income	(13,368)	(88)	-	(13,456)
Fair value of treasury bills and bonds	(2,130)	793	-	(1,337)
Unrealised foreign exchange loss	(60)	17	-	(43)
FVOCI Fair value loss	514	-	(2,168)	(1,654)
Allowance for impairment of loans and advances	(5,023)	790	-	(4,233)
Allowance for contigent liabilities	(657)	(653)	-	(1,310)
Other temporary differences	(57)	-	-	(57)
Capped interest expense	(423)	(48)		(471)
Net deferred tax asset	**(65,226)**	**(20,465)**	**(2,168)**	**(87,859)**

31. Deferred income tax (continued)

2023	At 1 January 2023 Ushs M	(Credit)/ Charge to P&L Ushs M	(Credit)/ Charge to OCI Ushs M	At 31 December 2023 Ushs M
Property and equipment	(3,456)	1,087	-	(2,369)
Tax losses carried forward	(11,397)	(30,256)	-	(41,653)
Deferred fees and commissions income	(13,589)	221	-	(13,368)
Fair value of treasury bills and bonds	(785)	(1,345)	-	(2,130)
Unrealised foreign exchange loss	(42)	(18)	-	(60)
FVOCI Fair value loss	5,267	-	(4,753)	514
Allowance for impairment of loans and advances	(8,002)	2,979	-	(5,023)
Allowance for contigent liabilities	(702)	45	-	(657)
Other temporary differences	(327)	270	-	(57)
Capped interest expense	(378)	(45)	-	(423)
Net deferred tax asset	**(33,411)**	**(27,062)**	**(4,753)**	**(65,226)**

The trading losses above have been carried forward since 2021 and are estimated to be fully utilised by 2030. The Group operates on the set budget for every year and given the anticipated profits for years 2025 to 2030 to be driven by cheaper sources of funding and reduced non-performing loans ratio management continues to consider it probable that future taxable profits would be available against which the tax losses can be recovered and therefore, the related deferred tax asset can be realised.

The aging, expiry and expected utilisation of tax losses carried forward is as follows:

Year of origin	Carried forward losses	Year of expiry	Expected year of utilisation	Amount expected to be utilised
	Ushs M			Ushs M
2021	35,244	2030	2025	35,244
2022	40,968	2030	2026	40,968
2023	104,850	2030	2027	38,847
2024	69,393	2030	2028	72,915
Totals	**250,455**			**187,974**

Notes to the consolidated and separate financial statements (continued)

31. Deferred income tax (continued)

2024	Company At 1 January 2024 Ushs M	(Credit)/ Charge to P&L Ushs M	At 31 December 2024 Ushs M
Property and equipment	1,097	319	1,416
Tax losses carried forward	(365)	(268)	(633)
Capped interest expense	(422)	(48)	(470)
Unrealised foreign exchange loss	(19)	17	(2)
Net deferred tax asset	**291**	**20**	**311**

2023	At 1 January 2023 Ushs M	(Credit)/ Charge to P&L Ushs M	At 31 December 2023 Ushs M
Property and equipment	776	321	1,097
Tax losses carried forward	(1,402)	1,037	(365)
Capped interest expense	(378)	(44)	(422)
Unrealised foreign exchange loss	(1)	(18)	(19)
Net deferred tax asset	**(1,005)**	**1,296**	**291**

32. Investment in subsidiary

	Shareholding	Company 2024 Ushs M	Company 2023 Ushs M
dfcu Bank Limited	100%		
As at 1 January and 31 December		**203,293**	**203,293**

dfcu Bank Limited is incorporated in Uganda under the Companies Act of Uganda as a limited liability company and is licensed by Bank of Uganda to operate as a commercial bank. It is domiciled in Uganda and the address of its registered office is:

Plot 26 Kyadondo Road
P.O. Box 70
Kampala, Uganda

The Group is engaged in the business of banking and the provision of related services and is licensed under the Financial Institutions Act, 2004 (as ammended) Cap 57, Laws of Uganda.

Notes to the consolidated and separate financial statements (continued)

33. Customer deposits - Group

	2024 Ushs M	2023 Ushs M
Demand deposits	1,172,744	1,183,673
Savings deposits	599,167	597,168
Fixed deposits	584,370	537,731
	2,356,281	**2,318,572**

The weighted average effective interest rates for the customer deposits are as follows:

	2024 %	2023 %
Demand deposits	1	2
Savings deposits	1	2
Fixed deposits	10	9

34. Deposits due to other banks - Group

	2024 Ushs M	2023 Ushs M
Balances due to other banks within 90 days	**120,256**	**35,033**

Balances due to other banks are short-term deposits made by other banks for varying periods of between one day and three months and earn interest at the respective short-term deposit rates. The weighted average effective interest rate was 4.43% (2023: 9%). The carrying value of deposits due to other banks is approximately equal to its fair value.

35. Other liabilities

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Financial liabilities:				
Bills payable	165	220	-	-
Unclaimed balances	10,888	4,795	-	-
Other liabilities	19,965	21,311	451	822
Deferred rental income	328	449	2,166	2,340
Lease liability	25,302	25,850	-	-
Accrued expenses and payables	31,453	19,530	160	-
Total liabilities	**88,101**	**72,155**	**2,777**	**3,162**

Other liabilities are non-interest bearing and normally settled within 30-90 days. The Group gives no collateral in respect to these payables.

Other liabilities include the expected credit loss on contingent liabilities and commitments amounting to Ushs 1,445 million (2023: Ushs 75 million). It also includes visa fees payable, taxes payable, dividends payable and others.

The carrying value of other liabilities is approximately equal to its fair value.

36. Special funds – Group

Special funds represent liabilities created under the terms of borrowing agreements with Kreditanstalt Fur Wiederaufbau (KFW). These agreements require the Group to remit repayments of principal and interest due on loans issued out of the proceeds of these borrowings into a special fund controlled by the Government of Uganda to support the financing of SME and microfinance businesses.

	2024 Ushs M	2023 Ushs M
As at 31 December	**1,193**	**1,193**

The carrying value of special funds is approximately equal to its fair value.

37. Borrowed funds

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Uganda Government (KFW V loan)	12,444	12,444	-	-
Bank of Uganda (ACF loan)	28,637	24,271	-	-
Abi-Finance	913	3,298	-	-
European Investment Bank – PEFF	99,399	44,000	-	-
GROW funds	8,048	-	-	-
UN Habitat	41	124	-	-
	149,482	**84,137**	**-**	**-**

The maturity analysis for borrowed funds has been disclosed in Note 6C.

Agricultural Credit Facility (ACF)-BOU

The Government of Uganda through the central bank in partnership with commercial banks, Uganda Development Bank Ltd and micro-deposit taking institutions (MDIs) created the Agricultural Credit Facility. The facility was created for the provision of medium-term credit facilities to agriculture and agro-processing projects on more favorable terms as opposed to the open market. The credit facilities are advanced to customers at an interest rate of 12%. The other objectives of the facility include the promotion of commercial agriculture, increasing access to finance by agribusinesses, increased agricultural production thus food security as well as boosting the confidence of financial institution in lending to agriculture. The Group contributes 50% towards the lending and 50% is financed by the ACF. The Group repays the 50% financed by the ACF as and when the loans are repaid by the customers.

The terms and conditions relating to the other borrowings are tabulated below:

	Tenure (years)	Interest rate	Fixed / variable	Currency
Uganda Government (KFW V loan)	**Due on demand**	**-**		
Abi-Finance Limited	7	12.50%	Fixed	Ushs
European Investment Bank-USD	10	2.97%	Fixed	USD
European Investment Bank-UGX	7	13.58%	Fixed	Ushs
GROW funds	2	2.00%	Fixed	Ushs
UN Habitat	15	2.00%	Fixed	Ushs

All the borrowed funds are unsecured. The carrying value is approximately equal to its fair value.

37. Borrowed funds (continued)

The movement in borrowings is as follows:

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
At 1 January	84,137	123,689	-	4,759
Additional drawdowns	78,651	12,844	-	-
Interest expense	842	2,922	-	147
Principle repayment	(6,352)	(43,761)	-	(4,467)
Interest repayment	(6,642)	(7,243)	-	(491)
Unrealised foreign exchange exchange (gains) / losses	(872)	801	-	52
Debt origination fees	(282)	(156)	-	-
At 31 December	**149,482**	**84,137**	**-**	**-**

38. Share capital and share premium

Group	Number of authorised ordinary shared	Number of issued ordinary shares	Share Capital Ushs M	Share premium Ushs M	Total Ushs M
At 1 January and 31 December 2023 and 2022	**1,250,000,000**	**748,144,033**	**14,963**	**185,683**	**200,646**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All ordinary shares rank equally with regard to the Group's residual assets.

Share premium

	2024 Ushs M
** 1 May 2000	2,878
*** 28 February 2017	182,805
Total	**185,683**

** *Share premium relates to shares issued by the Group on 1 May 2000 amounting to 198,880,729 with a par value of Ushs 20 per share at approximately Ushs 95 per share which resulted into a share premium of Shs 2,878 million.*

*** *Share premium relates to additional capital additional capital from its shareholders through a rights issue done during the year. The capital was converted into 250.9 million ordinary shares giving rise to additional ordinary share capital of Ushs 5.5 billion and share premium of Ushs 182.8 billion.*

39. Regulatory reserve - Group

	2024 Ushs M	2023 Ushs M
At 1 January	8,069	-
Transfer to retained earnings during the year	(4,373)	8,069
At 31 December	**3,696**	**8,069**
The regulatory credit risk reserve is analysed as follows:		
Provision for impairment of loans and advances as per FIA 2004:		
Specific provisions	12,819	36,897
General provisions	11,623	11,419
Total regulatory provision	**24,442**	**48,316**
Provision for impairment of loans and advances as per IFRS		
Identified impairment (note 23)	(13,882)	(24,039)
Unidentified impairment (note 23)		
Stage 1	(5,877)	(11,769)
Stage 2	(987)	(4,439)
Total IFRS provision	**(20,746)**	**(40,247)**
Shortfall of IFRS provision over regulatory provision	**3,696**	**8,069**

The regulatory credit risk reserve represents amounts by which allowances for impairment of loans and advances determined in accordance with the Financial Institutions Act, 2004 (as ammended), exceed those determined in accordance with International Financial Reporting Standards. These amounts are appropriated from retained earnings in accordance with accounting policy 4c(v). The reserve is not distributable.

As of 31 December 2024, the allowance of impairment of loans and advances computed in accordance with IFRS Accounting Standards exceeded the regulatory provision and therefore the credit risk reserve by Ushs 3,696 million (2023: 8,069 million).

40. Retained earnings/ accumulated profits

Retained earnings / accumulated profits comprises prior year brought forward earning plus current year profit less any dividends paid and proposed and transfers to credit risk reserve. As at 31 December 2024, retained earnings for the Group amounted to Ushs 488,743 million (2023: Ushs 427,310 million) whereas the retained earnings for the company amounted to Ushs 10,945 million (2023: Ushs 15,429 million). The movements in retained earnings / accumulated profits for the Group and Company are shown in the respective statements of changes in equity.

41. FVOCI revaluation reserve - Group

The fair value reserve comprises the cumulative net change in the fair value of equity securities and the cumulative net change in the fair value of debt securities are measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance.

Movement in FVOCI financial assets	2024 Ushs M	2023 Ushs M
At 1 January	1,049	12,101
Net movement on revaluation of FVOCI	(8,521)	(15,805)
Deferred tax impact on FVOCI transactions	2,168	4,753
At 31 December	**(5,304)**	**1,049**
ECL on FVOCI financial assets		
At 1 January net of deferred tax	151	190
Increase/(decrease) in ECL	1,294	(39)
At 31 December	**1,445**	**151**
Total fair value reserve	**(3,859)**	**1,200**
Net loss on FVOCI financial assets net of tax	(6,353)	(11,052)
Changes in ECL on FVOCI financial instruments	1,294	(39)

42. Off statement of financial position financial instruments – Group

In common with other banks, the subsidiary of the Company, **dfcu** Bank Limited (the Bank), conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2024 Ushs M	2023 Ushs M
Guarantee and performance bonds	301,453	248,979
Undrawn formal stand-by facilities, credit lines and other commitments to lend	30,653	23,742
	332,106	**272,721**

The expected credit loss on contingent liabilities and commitments is Ushs 1,445 million (2023: Ushs 75 million) and this is presented under other liabilities in note 35.

43. Leases

Group as a lessee

The Group leases a number of branch and office premises. The leases typically run for a period of 7 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every 3 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment. As at 31 December 2024, the net carrying amount for the right-of-use assets is Ushs 25,120million (2023: Ushs 25,965 million) (see Note 29).

ii. Lease liability

The lease liability arises out of the payment obligations from leased branch and office premises and this is presented within the other liabilities (see note 35).

	2024 Ushs M	2023 Ushs M
At 1 January	25,850	24,209
New leases	-	1,425
Interest charge (note 10)	4,041	13,643
Unrealised loss/(gain) on foreign currency denominated leases	(494)	193
Leases terminated during the year	-	(798)
Interest payment	(1,602)	(8,438)
Principle payment	(2,493)	(4,384)
At 31 December	**25,302**	**25,850**

At 31 December 2024, the future minimum lease payments under non-cancellable operating leases were payable as follows.

iii. Amounts recognized in profit or loss

	2024 Ushs M	2023 Ushs M
Leases under IFRS 16		
Interest on lease liabilities	4,041	13,643
Depreciation on right-of-use asset	7,902	8,815
Unrealised (loss)/gain on foreign currency denominated lease liabilities	(494)	193
	11,449	**22,651**

43. Leases (continued)

iv. Extension options

Some leases of office premises contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

v. Discount rate

In determination of the implicit rate of the lease (Discount rate), the Group has evaluated its ability to raise funds with a similar term structure and determined the weighted average cost of the fixed deposits as the discount rate. The weighted average rate as at 31 December 2024 was 12% (2023: 12%).

Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office buildings (see Note 28). These leases have terms of between 3 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties.

Rental income recognised by the Group during the year is Ushs 1,066 million (2023: Ushs 1,831 million). The rental income recognised by the Company was Ushs 7,140 million (2023: Ushs 6,998 million). Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the net trading and other income in the statement of comprehensive income due to its operating nature.

Future minimum lease payments under non-cancellable operating leases as at 31 December were as follows:

	2024 Ushs M	2023 Ushs M
Within one year	6,992	7,924
After one year	27,968	31,696
	34,960	**39,620**

The prior year maturity analysis was not disclosed in the 2023 signed financial statements. This has been included in the current year in order to comply with the requirements of IFRS 16.

44. Provisions and contingent liabilities

(a) Provisions

The Group is a defendant in various legal actions in the normal course of business. The total estimated contingent liability arising from these cases is Ushs 260 billion (2023: Ushs 322 billion). Through legal advice management has determined that total expected losses to the Group are Ushs 4.4 billion (2023: Ushs 2.2 billion) for which a provision has been made in the consolidated financial statements. In the opinion of directors and after taking appropriate legal advice, no significant additional losses are expected to arise from these cases.

The movement in litigation provisions during the year was as follows:

	2024 Ushs M	2023 Ushs M
At 1 January	2,188	2,338
Arising during the year	2,176	-
Utilised during the year	-	(150)
At 31 December	**4,364**	**2,188**

44. Provisions and contingent liabilities (continued)

(b) Other open litigation matters

In 2020, Crane Bank Limited (CBL) and some of its shareholders filed a claim in the English High Court against **dfcu** Group and others **(dfcu)** making allegations concerning the transaction relating to the acquisition of some of the assets and assumption of some of the liabilities of CBL by **dfcu**.

dfcu and others challenged the jurisdiction of the English Court and succeeded at first instance. Following an appeal by CBL and others, the English Court of Appeal stated that while **dfcu** may be right that the English Court does not have authority to consider the claim, the issues should not be decided at a preliminary stage through a jurisdiction challenge but should instead be determined through a trial in the English High Court.

dfcu and others sought permission to the Supreme Court of the UK to appeal the decision of the Court of Appeal. On 8 January 2024, the UK Supreme Court referred the matter back to the English High Court for trial. A case management conference in the proceedings took place in November 2024, at which the English High Court set out the steps that the parties are to take to prepare for trial which is due to commence in October 2026.

dfcu maintains that the claim is without merit and the same will be vigorously defended at trial in the English Courts.

45. Derivative financial instruments - Group

The subsidiary, **dfcu** Bank, entered into derivatives for trading and risk management purposes. These include swaps and outright forwards that have a settlement date beyond 31 December 2024 from the deal date. The unrealised gain on these contracts amounts to Ushs 1,607 million (2023: loss of Ushs 45 million) recorded in the statement of financial position. The financial instruments as split as indicated below:

	2024 Ushs M	2023 Ushs M
Derivative financial asset	2,064	228
Derivative financial liability	(457)	(273)
At 31 December	**1,607**	**(45)**

The Expected Credit Loss (ECL) computed on the above derivative financial instruments was immaterial.

The Expected Credit Loss (ECL) computed on the above derivative financial instruments was immaterial. The aggregate contractual or notional amount of derivative financial instruments, the extent to which instruments are favourable or unfavourable, can fluctuate significantly from time to time. The notional amount is the sum of the absolute value of all bought and sold contracts for both derivative assets and liabilities.

	Group		Group		Group	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Currency forwards	1,951	193	453	273	56,618	28,623
Currency swaps	113	35	4	-	4,585	4,813
	2,064	**228**	**457**	**273**	**61,203**	**33,436**

46. Cash and cash equivalents

Analysis of cash and cash equivalents as shown in the consolidated statement of cash flows.

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Cash in hand (note 21)	191,079	212,208	-	-
Balances with Bank of Uganda (note 21)	243,738	317,968	-	-
Less: Cash reserve requirement	(232,060)	(210,820)	-	-
Amounts due from related companies (note 47(b))	-	-	2,092	4,558
Deposits and balances due from banks (note 22)	211,315	255,165	-	-
	414,072	**574,521**	**2,092**	**4,558**

For purposes of the statement of cash flows, cash equivalents include short- term liquid investments which are readily convertible into known amounts of cash and with less than 90 days to maturity from the date of acquisition. Amounts due from related parties relate to cash deposits held in **dfcu** Group Limited which are due on demand.

Bank of Uganda requires banks to maintain a prescribed minimum cash balance. This balance is available to finance the Group's day-to-day activities; however, there are restrictions as to its use and sanctions for non-compliance. The amount is determined as a percentage of the average outstanding customer deposits held by Bank Limited, the subsidiary, over a cash reserve cycle period of fourteen days.

47. Related party disclosures

There are other companies that are related to **dfcu** Limited through common shareholdings or common directorships. Transactions and balances with related parties are shown below:

a) Amounts due to related companies

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
dfcu Bank Limited-Overdraft and term finance	-	-	13,214	20,328

The amounts due to related companies represent borrowings from **dfcu** Bank Limited. These borrowings are unsecured, neither past due nor impaired, and carry an average annual interest rate of 16%. During the year, interest expense incurred by the Company from these borrowings amounted to Ushs 1,587 million (2023: Ushs 1,942 million).

b) Amounts due from related companies

	Company	
	2024 Ushs M	2023 Ushs M
dfcu Bank Limited	**2,092**	**4,558**

The amounts due from related companies represent cash deposits (demand and fixed deposits) held in **dfcu** Bank. Demand deposits are non-interest-bearing and are payable on demand, while fixed deposits earn interest at an average annual interest rate of 9%. Interest income earned on these fixed deposits during the year was Ushs 554 million (2023: Ushs 160 million). For the purpose of the Company statement of cash flows, cash and cash equivalents are represented by the above balances.

Notes to the consolidated and separate financial statements (continued)

47. Related party disclosures (continued)

Advances to customers include loans to directors follows:
At 31 December 2024, there were no advances to non-executive directors and companies controlled by directors or closely connected persons (2023: Ushs Nil).

	2024 Ushs M	2023 Ushs M
Deposits by directors (Group)		
At 1 January	367	274
Net decrease	(89)	93
At 31 December	**278**	**367**

c) Loans to directors - Group
The loans to directors indicated on **pages 22 & 23** amount to Ushs Nil million (2023: Nil).

d) Key management compensation

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Salaries and other short-term employment benefits	6,518	4,678	377	384
Post-employment benefits	836	619	64	64
	7,354	**5,297**	**441**	**448**
Directors' remuneration				
Fees for services as directors	2,362	2,263	611	677
	2,362	**2,263**	**611**	**677**

48. Retirement benefit obligations

The Group participates in a defined contribution retirement benefit scheme and substantially all of the Group's employees are eligible to participate in this scheme. The Group is required to make annual contributions to the scheme at a rate of 7.5% of basic pay. Employees contribute 7.5% of their basic salary. The Group has no other material obligation for the payment of retirement benefits beyond the annual contributions under this scheme. During the year ended 31 December 2024, the Group retirement benefit cost charged to profit or loss under the scheme amounted to Ushs 3,766 million (2023: Ushs 3,505 million).

The Group also makes contributions to the statutory retirement benefit scheme, the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 31 December 2024 the Group contributed Ushs 7,604 million (2023: Ushs 7,002 million), which has been charged to profit or loss.

Notes to the consolidated and separate financial statements (continued)

49. Capital Commitments

Capital commitments mainly relate to software upgrades and the ongoing construction of Namanve Financial Centre. Capital commitments as at 31 December were:

	Group		Company	
	2024 Ushs M	2023 Ushs M	2024 Ushs M	2023 Ushs M
Authorised and contracted	15,435	14,479	-	-
	15,435	**14,479**	**-**	**-**

50. Events after reporting date

There are no events after the reporting date that require disclosure in these financial statements.

51. Presentation currency

These consolidated and separate financial statements are presented in Uganda shillings rounded off to the nearest millions (Ushs M).

52. Prior year statement of cash flow restatement

Some prior year comparative numbers in the statement of cash flow relating to interest received, interest paid, dividends received, loss and proceeds from sale of equity shares have been reclassified within different classes in order to comply with the requirements of IAS 7 and correct a prior year presentation error as summarised below:

Group	2023 Ushs M	Adjustment Ushs M	2023 Restated Ushs M
Operating activities:			
Profit before tax	23,078	-	23,078
Adjustment for:			
Depreciation of property, equipment, and right-of-use assets	16,445	-	16,445
Depreciation of investment property	489	-	489
Amortisation of intangible assets	6,910	-	6,910
Unrealised foreign exchange loss	633	-	633
Gain on disposal of fixed assets	(128)	-	(128)
Fair value losses on assets at fair value through profit and loss	3,381	-	3,381
Credit loss expense on financial assets	82,714	-	82,714
Loss on sale of equity investments	-	91	91
Interest income	-	(349,664)	(349,664)
Interest expense	-	91,978	91,978
Dividends income	-	(729)	(729)
Reversals in provisions and employee benefits	(73,974)	(16,208)	(90,182)
Cash from operating activities before changes in operating assets and liabilities	**59,548**	**(274,532)**	**(214,984)**
Changes in operating assets and liabilities			
Increase in government and other securities	(66,261)	-	(66,261)
Increase in Bank of Uganda cash reserve requirement	15,690	-	15,690
Increase in loans and advances to customers	258,064	-	258,064
Decrease in other assets	11,497	-	11,497
Decrease in balances due to other banks	26,521	-	26,521
Decrease in customer deposits	(92,021)	-	(92,021)
Increase in other liabilities	7,020	-	7,020
	220,058	**(274,532)**	**(54,474)**
Interest received	-	347,145	347,145
Interest paid	-	(95,357)	(95,357)
Income tax paid	(22,428)	-	(22,428)
Net cash flows from operating activities	**197,630**	**(22,744)**	**174,886**
Investing activities			
Purchase of property and equipment	(25,041)	-	12,844
Purchase of intangible assets	(8,874)	-	(43,761)
Dividends received	-	729	(4,384)
Proceeds from sale of equity shares	-	1,375	-
Proceeds from sale of property and equipment	464	-	(6,129)
Net cash flows used in investing activities	**(33,451)**	**2,104**	**(41,430)**

Notes to the consolidated and separate financial statements (continued)

52. Prior year statement of cash flow restatement (continued)

Group	2023 Ushs M	Adjustment Ushs M	2023 Restated Ushs M
Financing activities:			
New borrowings received	12,844	-	12,844
Principle paid on borrowings	(55,963)	12,202	(43,761)
Principal paid on lease liability	(4,384)	-	(4,384)
Interest paid on lease liability	(8,438)	8,438	-
Dividends paid to shareholders	(6,129)	-	(6,129)
Net cash flows used in financing activities	**(62,070)**	**20,640**	**(41,430)**
Net increase / (decrease) in cash and cash equivalents	102,109	-	102,109
Unrealised foreign exchange loss on cash and cash equivalents	(147)	-	(147)
Cash and cash equivalents at start of year	472,559	-	472,559
Cash and cash equivalents at end of year	**574,521**	**-**	**574,521**

Notes to the consolidated and separate financial statements (continued)

52. Prior year statement of cash flow restatement

Some prior year comparative numbers in the statement of cash flow relating to interest received, interest paid, dividends received, loss and proceeds from sale of equity shares have been reclassified within different classes in order to comply with the requirements of IAS 7 and correct a prior year presentation error as summarised below:

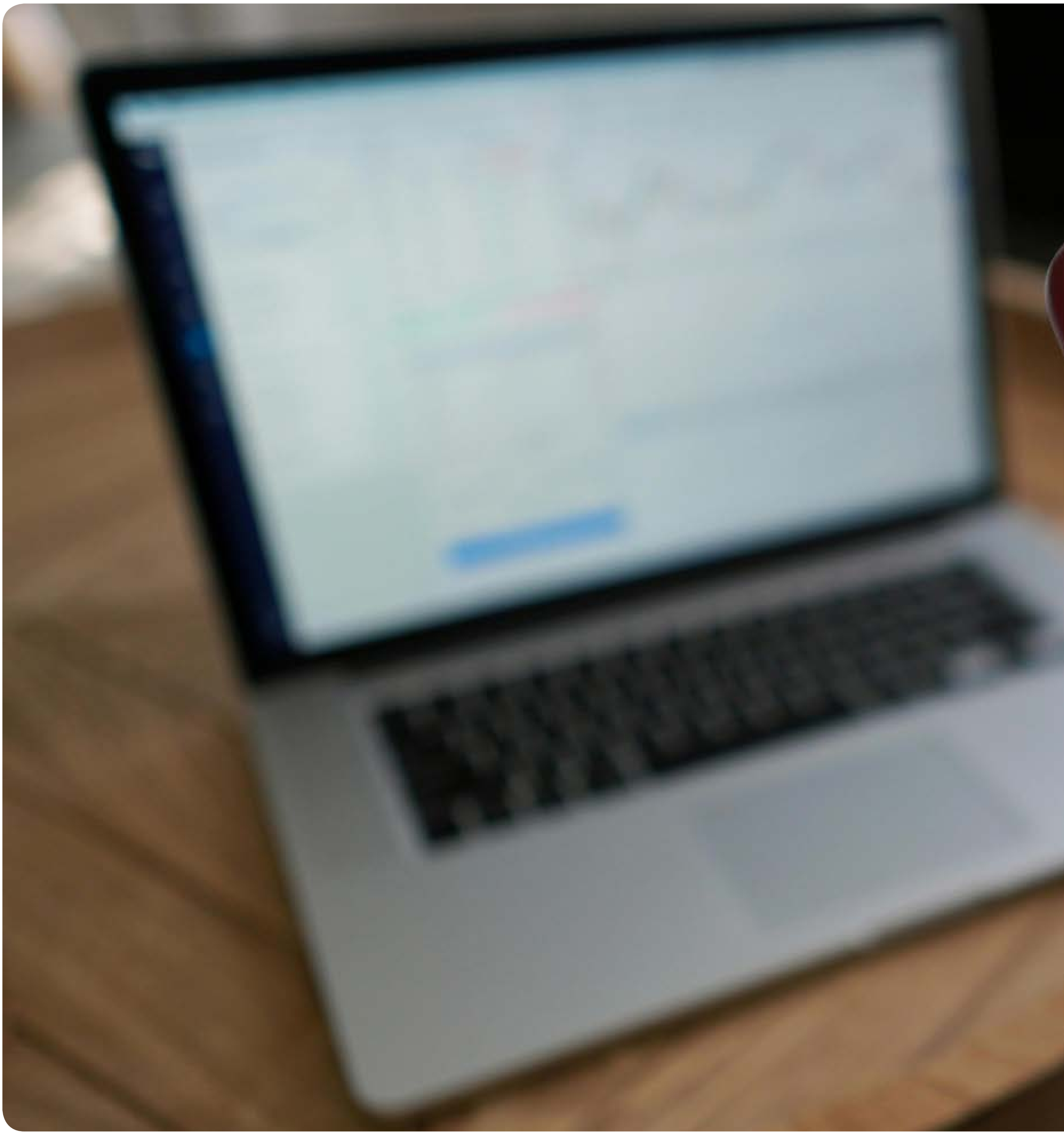
Company	2023 Ushs M	Adjustment Ushs M	2023 Restated Ushs M
Operating activities:			
Profit before tax	9,286	-	9,286
Adjustment for:			
Depreciation of property, equipment, and right-of-use assets	1,578	-	1,578
Unrealised foreign exchange loss (note 11)	67	-	67
Interest income	-	(160)	(160)
Interest expense	-	1,942	1,942
Dividend income	-	(12,257)	(12,257)
Reversals in provisions and employee benefits	(46)	(1,942)	(1,988)
Cash from operating activities before changes in operating assets and liabilities	**10,885**	**(12,417)**	**(1,532)**
Changes in operating assets and liabilities			
Increase in amounts due to group companies	4,186	-	4,186
(Decrease) / increase in other assets	9	-	9
Increase / (decrease) in other liabilities	44	-	44
	15,124	**(12,417)**	**2,707**
Interest received	-	160	160
Income tax paid	(1,072)	-	(1,072)
Net cash flows from operating activities	**14,052**	**(12,257)**	**1,795**
Investing activities			
Purchase of investment property (note 28)	(75)	-	(75)
Dividends received	-	12,257	12,257
Net cash flows used in investing activities	**(75)**	**12,257**	**12,182**
Financing activities			
Principle paid on borrowings	(4,759)	568	(4,191)
Interest paid on borrowings	-	(568)	(568)
Dividends paid to shareholders (note 17)	(6,129)	-	(6,129)
Net cash flows used in financing activities	**(10,888)**	**-**	**(10,888)**
Net increase / (decrease) in cash and cash equivalents	3,089	-	3,089
Unrealised foreign exchange (loss) / gain on cash and cash equivalents	(11)	-	(11)
Cash and cash equivalents at start of year	1,480	-	1,480
Cash and cash equivalents at end of year	**4,558**	**-**	**4,558**

Notes to the consolidated and separate financial statements (continued)

53. Changes in prior year comparative information

The table below summarizes areas where comparative information has been updated in order to conform to the changes in changes in presentation of the current year.

Reference	Page	Comment
Group Consolidates Statement of Financial Position	140	Derivative financial instruments have been disclosed after assets held for disposal from a prior year presentation where it was disclosed after other assets in order to comply with the IAS 1 requirement to disclose assets and liability in order of liquidity.
Company Statement of Financial Position	141	• Amounts due to Group companies have been disclosed above other liabilities from a prior year presentation where it was disclosed after deferred income tax liability in order to comply with the IAS 1 requirement to disclose assets and liability in order of liquidity. • The accumulated profits name in equity section has been changed to retained earnings.
Group statement of changes in Equity	142	Increase in regulatory reserve naming has changed to transfer of regulatory reserve from retained earnings.
Group and Company statement of cash flow	144 & 145	Unrealised foreign exchange loss on cash and cash equivalents naming has been changed to Effect of exchange rate changes on cash and cash equivalents held.
Credit Risk	204	The quantitative disclosure about forward looking information includes information about inflation trends which were not disclosed in the prior year.
	205	Quantitative information about the ECL sensitivity analysis has been disclosed which was not included in the prior year.
Segment Information	242	Prior year segment results have been updated to include significant costs which were not included in prior year.
Liquidity Risk	216	The prior year contractual maturities have been updated to include the issued financial guarantee contracts (guarantees, letters of credit and unutilised commitments) which were included in the prior. Prior year contractual cashflow figures for other financial liabilities excluding lease liability has been amended to include accrued expenses.
Liquidity Risk and Market Risk (interest rate risk)	213, 216, 219, 221, 226 & 227	The prior year maturity tables have been updated to include additional tenures of 1-5 years and over 5 years to replace 'over 1 year' which were not disclosed in the prior year.
Other Financial Liabilities	273	Prior year other financial liabilities have been updated to include accrued expenses which were excluded in the prior year.
Fair values of financial assets and liabilities	231	Prior year equity investments at fair value through profit and loss were updated to include the investment in Crane Financial Services which was excluded in the prior year.
Group and Company statement of comprehensive income	138 & 139	Operating income naming has been changed to Net total income



10 Other Information

Shareholder Analysis

Range ID	Description	No. of Investors	No. of Shares Held	Percent Holding
1.	Between 1 and 1,000 Shares	1,832	748,589	0.10%
2.	Between 1,001 and 5,000 Shares	1,268	3,300,688	0.44%
3.	Between 5,001 and 10,000 Shares	203	1,479,393	0.20%
4.	Between 10,001 and 100,000 Shares	437	11,392,778	1.52%
5.	Above 100,001 Shares	95	731,222,585	97.74%
TOTAL		**3,835**	**748,144,033**	**100%**

Distribution of **dfcu** Limited shareholders as at 31st December 2024

	SHAREHOLDER_NAME	No. of Shares Held	Percent Holding
1.	Arise B.v	439,176,097	58.70%
2.	Scb Mauritius A/C Investment Fund for Developing Countries	74,580,276	9.97%
3.	National Social Security Funds	56,543,204	7.56%
4.	Kimberlite Frontier Africa Master Fund,L.P.-RCKM Kimberlite Frontier Africa Master Fund,L.p.-Rckm	54,958,626	7.35%
5.	Bnymsanv Re Bnymsanvfft Re ODDO BHF Asset Management Gmbh Wegen Kilimanjaro Frontier Africa Fund	16,756,200	2.24%
6.	National Social Security Fund National Social Security Fund-Pinebridge	10,440,437	1.40%
7.	Ssb-Conrad N Hilton Foundation -00Fg Ssb-Conrad N Hilton Foundation -00Fg	9,180,658	1.23%
8.	Bnym Re Vanderbilt University	9,155,182	1.22%
9.	Jubilee Health Insurance Company of Uganda	7,296,339	0.98%
10.	Bank of Uganda Defined Benefits Scheme- GENEAFRICA	4,811,165	0.64%
11.	Bank of Uganda Defined Benefits Scheme -Sanlam	4,481,491	0.60%
12.	Parliamentary Pension Scheme-Uap	2,924,455	0.39%
13.	Centenary Bank Staff Defined Contribution Scheme	2,806,087	0.38%
14.	Uganda Revenue Authority Srbs-Sanlam	2,533,897	0.34%
15.	Sudhir Ruparelia	2,165,575	0.29%
16.	Rakesh Gadani	1,977,748	0.26%
17.	UAP Insurance Uganda Ltd	1,836,146	0.25%
18.	Uap Insurance- General Life Fund	1,557,256	0.21%
19.	Keith Muhakanizi	1,488,972	0.20%
20.	Parliamentary Pension Scheme-GENAFRICA	1,274,273	0.17%
	Other 3,815 Shareholders	42,199,949	5.62%
		748,144,033	**100%**

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the **60th ANNUAL GENERAL MEETING ("AGM")** of **dfcu** Limited ("the Company") for the year ended 31st December, 2024 will be held as a hybrid meeting (comprising of a physical meeting at the Hotel Africana, Kampala and via electronic means) on **Thursday 10th July, 2025** at **11.00 am** to conduct the following business.

ORDINARY RESOLUTIONS:

1. 1.To receive, consider and if deemed fit, adopt the Annual Financial Statements for the year ended 31st December 2024 including the reports of the Chairman, Directors and External Auditors.
2. To adopt the recommendation of the Directors for the declaration of a final dividend of Shs 20.09 per share less withholding tax for the year ended 31st December, 2024.
3. To note that Mr Kironde, Lule who is retiring from the Board by rotation in accordance with Article 112 of the Company's Articles of Association does not offer himself for re-election.
4. To consider, and if deemed fit, re-elect Mr. Francis Gimara, who retires by rotation in accordance with Article 112 of the Company's Articles of Association and being eligible, offers himself for re-election.
5. To consider and, if deemed fit, confirm the appointment of CPA FCCA Keto Kayemba as a Director, in accordance with Articles 75 and 76 of the Company's Articles of Association.
6. To consider, and if deemed fit, approve the fees payable to the Non-Executive Directors for the year 2025.
7. To consider, and if deemed fit, approve the appointment of KPMG as the external auditors of the Company and authorize the Directors to negotiate and determine their remuneration for the year ending 31st December 2025.
8. To conduct any other business that may be conducted at the AGM.

Dated this 13th day of June 2025
By Order of the Board
Ligomarc Advocates
Company Secretary

NOTES TO THE NOTICE:
Shareholders are urged to note the following important information regarding the AGM:

(1) Attendance of the AGM:

Any person whose name appears on the Company's share register is entitled to attend, speak and vote at the AGM or may appoint one or more proxies (who need not be Shareholders of the company) to attend, speak and vote on their behalf. Proxy forms are included in the AGM information pack and are also available at **dfcu** Head Office, all **dfcu** Bank Branches and on the Company website.

Duly completed proxy forms must be delivered to the **dfcu** Head Office, bank branch or Company Secretary's office not later than 5:00pm on Tuesday 8th July, 2025. The proxy forms may also be e-mailed at **dfcuagm@image.co.ke** or **shareholder@candr.africa** at least 48 hours before the scheduled time for the meeting. Proxy Forms received after the deadline shall be treated as invalid.

(2) Participation in the Annual General Meeting

a) Shareholders may attend the AGM either in person or virtually. Physical attendance will be granted on a first-come, first-served basis. Registration for both physical and electronic attendance shall only be done electronically from Wednesday, 11th June 2025, at 8:00 a.m. and will close on Tuesday, 8th July 2025, at 5:00 p.m.

b) To participate in the Annual General Meeting, shareholders should register by following the instructions below;

(i) *284*548# (Uganda mobile networks) or *483*810# (Kenya mobile networks) and follow the prompts, or;

Notice of the Annual General Meeting

(ii) Send an email request to be registered to **dfcuagm@image.co.ke**

(iii) Shareholders with email addresses will receive a registration link via email which they can use to register.

(iv) To facilitate shareholder verification, a shareholder will be required to submit either a NIN as indicated in their National Identity card, a passport number or their SCD account details.

c) Shareholders are also able to obtain registration support by dialling the helpline number: **+256 762 260 804**/**+256 758 336 660** between 9:00a.m and 4:00p.m from Monday to Friday or sending an email to **dfcuagm@image.co.ke**

d) Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their mobile phone prior to the Annual General Meeting as a reminder. In registering to attend the Annual General Meeting, a shareholder will be provided with an option to receive these reminder messages.

e) The AGM will be streamed live at the scheduled time and date to registered shareholders who will receive a link to the event 24 hours before the AGM.

f) Shareholders are advised to submit questions by **Tuesday, 8th July 2025**, via phone, web link or email. Shareholders will receive an SMS prompt, with instructions, on their registered mobile phone number alerting them to propose and second the resolutions put forward in the notice. Duly registered shareholders and proxies may access the agenda and follow the proceedings of the AGM using the livestream platform.

g) Shareholders who will have registered to participate in the virtual meeting shall be able:

(i) To ask questions by SMS by dialing the USSD code above and selecting the option (Ask Question) on the prompts or via the Question Tab on the livestream link during the AGM; and

(ii) To send their written question by email to **dfcuagm@image.co.ke** or **shareholder@candr.africa**;

(iii) To the extent possible, physically delivering their written questions with return physical address or email address to the Company Secretary at **rarinaitwe@ligomarc.com**

(3) Voting at the AGM

a) As the AGM will be conducted in a hybrid format, voting will be done electronically. Each shareholder is entitled to one vote per share owned

b) Voting will take place electronically via USSD or through the web link provided after successful registration.

c) During the meeting, Shareholders will receive an SMS notification on their registered mobile phone number with instructions to propose and second resolutions listed in the Notice.

d) Registered Shareholders and proxies may vote when prompted on the USSD platform by following the SMS prompts or using the livestream link.

e) A poll shall be conducted for all the resolutions indicated in the notice. Results of the resolutions voted on will be published on the Company website **www.dfculimited.com** and on the Uganda Securities Exchange website **www.use.or.ug**

(4) Annual Report and Audited Financial Statements:

The Annual Report, including the Audited Financial Statements, reports of the Chairman, Directors and External Auditors, shall be available on the company's website **www.dfculimited.com** and on the Uganda Securities Exchange website **www. use.or.ug** The report shall also be sent by email to Shareholders whose email addresses are available on the share register.

Notice of the Annual General Meeting

(5) Updating of Shareholder details:

Shareholders are urged to contact the Share Registrar to update their contact details for ease of communication and receipt of dividends by either visiting their offices or sending an email to **shareholder@candr.africa** or calling +256 757 072 773 / +256 760 451 945..

(6) 2024 Dividend Payment:

The Board of Directors of dfcu Limited recommends the payment of a dividend of Shs 20.09 per share less withholding tax for the year ended 31st December, 2024. The dividend, if approved at the AGM, will be paid by 30th August 2025, to Shareholders on the Register as at the close of business on the 8th of August 2025. The dividend from **dfcu** bank forms a substantial portion of the dividends paid out by dfcu Limited. The payment of the dividend remains subject to the receipt of regulatory approval.

(7) Unclaimed Dividends:

Shareholders who have not received their previous dividends should send an email to **shareholder@candr.africa** and provide valid identification such as a copy of the national identity card, passport or driver's license.

(8) Securities Central Depository (SCD) Accounts:

The USE requires all listed companies to immobilise all shares that they still hold in certificate form. Shareholders are advised to open Securities Central Depository (SCD) accounts with the assistance of any of the SCD Agents listed on the Uganda Securities Exchange website **www.use.or.ug** to enable them to continue to trade in shares.

(9) Contact Details:

Company's Registered Office
dfcu Limited
P. O. Box 2767
Plot 26, Kyadondo Road, Kampala,
Tel: + 256 (0) 312 300 200.

Share Registrar's Office
Custody and Registrars Services Uganda Limited
4th Floor, Rm 403,
DTB Centre, Kampala Road
Tel: +256 757 072 773 / +256 760 451 945 / +256 414 237 504.

Company Secretary
Ligomarc Advocates
P.O Box 8230 Kampala
Plot 17 Baskerville Avenue Kololo
Tel:+256 (0) 414-255801 / +256776744320.

AGM Management and Registration
Image Registrars Uganda Ltd
1st Floor, Jubilee Insurance Centre
Plot 14, Parliament Avenue
Tel: +256 762 260 804/ +256 758 336 660.

Proxy Form

I/we, ... of.................................. the undersigned being a shareholder(s) in dfcu Limited ("the Company") hereby appoint..of (address)...................................... and mobile no. .... or failing him/her .... of mobile no. .... or the CHAIRMAN of the meeting, as my/our proxy to attend and vote on my/our behalf at the 60th Annual General Meeting of the Company to be held as a hybrid meeting (comprising of a physical meeting at the Hotel Africana, Kampala and via electronic means) on Thursday 10th July, 2025, at 11:00 am or any adjournments thereof as follows:

	Agenda	For	Against	Abstain
ORDINARY RESOLUTIONS				
1.	Receive, consider and if deemed fit, adopt the Annual Financial Statements for the year ended 31st December 2024 including the reports of the Chairman, Directors and External Auditors.			
2.	Adopt the recommendation of the Directors for the declaration of a final dividend of Shs 20.09 per share less withholding tax for the year ended 31st December, 2024.			
3.	To note that Mr. Kironde Lule, who is retiring from the Board by rotation in accordance with the provisions of the Company's articles of association, does not offer himself for re-election.			
4.	To consider, and if deemed fit, re-elect Mr. Francis Gimara, who retires by rotation in accordance with Article 112 of the Company's Articles of Association and being eligible, offers himself for re-election			
5.	To consider and if deemed fit, confirm the appointment of CPA FCCA Keto Kayemba as a Director, in accordance with Articles 75 and 76 of the Company's Articles of Association.			
6.	To consider, and if deemed fit, approve the fees payable to the Non-Executive Directors for the year 2025.			
7.	To consider, and if deemed fit, approve the appointment of KPMG as the external auditors of the Company and authorise the Directors to negotiate and determine their remuneration for the year ending 31st December 2025.			

Please indicate a cross or tick for each resolution above how you wish your votes to be cast. The 'abstain' option above is provided to enable you to withhold your vote on any resolution. However, it should be noted that a vote abstained is not a vote and will not be counted in the calculation of the proportion of the votes 'for' and 'against' a resolution. If no options are marked, the proxy can vote as he/she deems fit.

Signed: ____

Name: ____

Address (full contact details i.e. postal address, telephone, and email):

____

Date: ____

Proxy Form

Notes:

a. A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

b. This proxy form, once duly completed, must be delivered to the **dfcu** Head Office, bank branch or Company Secretary's office not later than **5:00pm** on **Tuesday 8th July, 2025**. The proxy form may also be e-mailed at **dfcuagm@image.co.ke** or **shareholder@candr.africa** at least 48 hours before the scheduled time for the meeting. In default of this, it shall be treated as invalid.

c. In case of a company, the proxy form must be executed under its common seal.

d. Where a Shareholder has been assisted in filling in this form, the details of the person assisting should be indicated (state capacity and full name).

e. The completion and lodging of this form of proxy does not prevent the relevant ordinary Shareholder from attending the annual general meeting INSTEAD of the proxy.

f. The Chairman of the Annual General Meeting may accept or reject any proxy form which is completed and / or received other than in compliance with these notes.

g. Where there are joint holders of ordinary shares, any one holder may sign the proxy form.

dfcu Products and Services

1. RETAIL BANKING

Personal banking(Tailored financial solutions for individuals)

- Current accounts (salaried, personal standard, pinnacle)
- Saving and investments account (Investment club, young savers, compus plus, fixed deposit, smart plan)
- Lending (Unsecured, Mobi loans Home loans, construction loan, equity release, Vehicle and asset finance, Credit card)
- Xclusive banking services.
- Financial literacy and inclusion
- Bancassurance
- Business Banking (Tailored financial solutions for medium and small businesses)
- Accounts (corporate bundled account, corporate pay as you go, enterprise account, NGO account, SACCO account)
- Term Financing (Business growth loan, Baraka Loan, Commercial loan, lease financing, working capital loan and overdraft, Vehicle and asset based financing, commercial mortgages)
- Trade finance(Guarantees, Letters of credit, document collection, structured commodity financing, contract financing, Invoice/ certificate financing)
- Relationship management.

2. CORPORATE AND INSTITUTIONAL BANKING

(Tailored services to governments, parastatals, local and multinational corporates, other financial institutions)

- Manages top-tier relationships in key sectors
- Expertise in transaction products and services, (Direct debits, cheques collections, billier payments, payroll processing)
- Trade services(Bonds/Guarantees, Invoice / contract financing, Import finance , supply financing)
- Global Financial Markets
- Liquidity management services
- Trading in foreign currencies
- Hedging solutions for forex clients

3. ALTERNATE CHANNELS

- Quick banking
- Quick Connect – for business banking and corporate clients
- Automated Teller Machines (ATMs)
- Cash deposit machines
- Debit and Credit cards(Visa enabled)
- Points of Sales(POS) Machine
- Agent baking
- Internet banking
- Smart app

dfcu Limited (Real estate services)

1. *Property Management*

- Office space lettings
- Lease renewal and negotiations
- Tenant liaison - primary point of contact for resident enquiries
- Financial management including budget forecasts, rent collection, service charge collection and allocation
- Selection and management of on-site staff including building caretakers, front of house and maintenance personnel/service providers

2. *Project Management*

- Project planning and scheduling
- Premises suitability/feasibility studies
- Project design including architectural and preparation of bills of quantities
- Project costing and cost management
- Contractor supervision
- Monitoring and evaluation

3. *Facilities Management*

- Premises selection and inspection
- Facilities maintenance planning and management
- Selection of maintenance personnel/service provides e.g. front house, cleaning, security, fumigation etc
- Maintenance services contracts management
- Maintenance scheduling
- Asset management (including inventory management, asset disposal, asset tracking for power equipment like generators etc).

dfcu FOUNDATION

1. *Enterprise Development:*

Sustainable capacity building for micro, medium and small enterprises (MSMEs), small holder farmers (SHFs), and agribusinesses, emphasizing women and youth.

2. *Expanding Financial Access:*

Making it easier for people to access affordable finance, especially underserved groups like MSMEs, SHFs, women and youth owned businesses

Financial Expansion for Agricultural Transformation (FEAT) program.

3. *Business Acceleration Program*

A growth and transformation accelerator to enhance the capabilities of small businesses by providing resources such as mentorship, training, networking opportunities, and access to funding.

4. *Protecting the Environment:*

Encouraging tree planting and sustainable practices in all foundation projects.

Main Correspondent Banks

Citibank N. A New York
International Services
Citibank N.A New York
399 Park Avenue, New York, NY
10043 U.S.A

Citibank N. A London
International Services
Citibank N.A London
Citigroup Centre, Canada square
Canary Wharf, London E14 5LB

First Rand Bank
6th Floor, 1 Merchant Place
Corner Fredman & Rivonia Road
Sandton, South Africa

Bank of China
Zhongyin Tower
Yincheng Zhong Road
Shangai, China

Kenya Commercial Bank (KCB)
Kencom House, Moi Avenue
Nairobi, Kenya

dfcu Bank Limited
Plot 26 Kyadondo Road
P. O. Box 70
Kampala, Uganda

JP Morgan, SE
Taunustor 1,
60310 Frankfurt am Main,
Germany.

JPMorgan Chase Bank,
National Association,
270 Park Avenue,
New York,
USA

JPMorgan Chase Bank,
National Association,
25 Bank St,
London E14 5JP,
United Kingdom.

HDFC Bank Ltd,
HDFC Bank House,
Senapati Bapat Marg,
Lower Parel (West),
Mumbai - 400 013,
India.

Group's Solicitors

M/s MMAKS Advocates
4th Floor Redstone House
Plot 7 Bandali Rise-Bugolobi Kampala

M/s A.F Mpanga Advocates
Plot 26 Kyadondo Road, Nakasero
P. O. Box 1520, Kampala

M/s Arcadia Advocates
3rd Floor Acacia Place
Plot 6 Acacia Avenue
P. O. Box 28997, Kampala

KSMO Advocates
5th Floor Crested Towers
17 Hannington Road
P. O. Box 23064, Kampala

Kalenge, Bwanika, Ssawa & Co. Advocates
KBS Chambers
Plot 30, Lumumba Avenue
P. O. Box 8352, Kampala

Muganwa Nanteza and Co Advocates
Plot 1-3 Coral- Crescent, Lower Kololo
Nice Apartments
P. O. Box 8543, Kampala

Shonubi Musoke and Co. Advocates
SM Chambers
Plot 14 Hannington Road
(Kintu Siad Barre Avenue)
P.O. Box 3213 Kampala,
Uganda

S&L Advocates
14, MacKinnon Road, Nakasero
P. O. Box 2255, Kampala

K&K Advocates
K&K Chambers
Plot 5A2 Acacia Avenue
P. O. Box 6061, Kampala

KTA Advocates
Plot 4 Hannington Road
P. O. Box 37366, Kampala

Kentaro Mugerwa & Company Advocates
2nd Floor Mukwano Courts
Plot 13 Buganda Road, Kampal

Amber Solicitors & Advocates
6th Floor Lourdel Towers
Plot 1 Lourdel Road, Kampala

Ligomarc Advocates
5th Floor, Social Security House
Plot 4, Jinja Road
P. O. Box 8230, Kampala

Acronyms

ABC	-	*Anti-bribery and Corruption*
ACCA	-	*Association of Chartered Certified Accountants (UK)*
ACIB UK	-	*Chartered Institute of Bankers Diploma*
ADC	-	*Agribusiness Development Centre*
AGM	-	*Annual General Meeting*
ALCO	-	*Asset and Liability Committee*
AML	-	*Anti-Money Laundering*
ATM	-	*Automated Teller Machine*
B.A (Econ)	-	*Bachelor's degree in Economics*
B.Com	-	*Bachelor of Commerce*
B.Sc (Acc.) (Hons)	-	*Bachelor and an Honors degree in Accounting Science*
B.Sc (Agric)	-	*Bachelor of Science in Agriculture*
B.Sc (Econ)	-	*Bachelor of Science in Economics*
B.Sc (Hons) Stats & Econ	-	*Bachelor of Science degree (Honours), Statistics and Economics*
B.Stat	-	*Bachelor of Statistics*
BBA (Fin)	-	*Bachelor's of Business Administration (Finance)*
BCP	-	*Business Continuity Planning*
BIS	-	*Bank for International Settlement*
BNA	-	*Bulk Note Acceptors*
BOU	-	*Bank of Uganda*
CA (SA)	-	*South African Institute of Chartered Accountants (SAICA)*
CAR	-	*Capital Adequacy Ratios*
CB	-	*Corporate Banking*
CDC	-	*Common Wealth Development Corporation*
CDO	-	*Cotton Development Organisation*
CIM	-	*Chartered Institute of Marketing*
CIPR	-	*Chartered Institute of Public Relations*
CPA	-	*Certified Public Accountants*
CSI	-	*Corporate Social Investment*
CSR	-	*Corporate Social Responsibility*
CTA	-	*Certificate Theory of Accountancy*
DBA	-	*Doctorate in Business Administration*
EAD	-	*Exposure at Default*
ECL	-	*Expected Credit Loss*
FCA	-	*Fellow of the Institute of Chartered Accountants in England and Wales.*
FCCA	-	*Fellow of the Association of Chartered Certified Accountants*
FIA	-	*Financial Institutions Act (as amended)*
FVOCI	-	*Fair Value Through Other Comprehensive Income*
FVTPL	-	*Fair Value Through Profit and Loss*
GDP	-	*Gross Domestic Product*
GOU	-	*Government of Uganda*
GRI	-	*Global Reporting Initiative*
ICPAU	-	*Institute of Certified Public Accountants of Uganda*
IESBA	-	*International Ethics Standards Board for Accountants*
IFC	-	*International Finance Corporation (IFC)*
IFRS	-	*International Financial Reporting Standards*
ISA	-	*International Standards on Auditing*
IT	-	*Information Technology*
JSD	-	*Doctor of Science of Law*
KPIs	-	*Key Performance Indicators*
KYC	-	*Know Your Customer*
LGD	-	*Loss Given Default*
LLB	-	*Bachelor of Laws*
MBA	-	*Masters of Business Administration*
MSC	-	*Master of Science from the University College of Wales, Aberystwyth, UK*
MSC in PHT	-	*Master of Science in Post-harvest Technology (Crop Market Technology)*
MSCS	-	*Master of Science Degree, Computer Science*
MSSM	-	*Master of Science in Strategic Management*
NPL	-	*Non Performing Loans*
NSSF	-	*National Social Security Fund*
OCI	-	*Other Comprehensive Income*
OECD	-	*Organisation for Economic Co-operation and Development*
PBB	-	*Personal and Business Banking*
PD	-	*Probability of Default*
PGDip (L&CM)	-	*Post Graduate Diploma In Leadership & Change Management PGD Leadership & Change Management*
PGDip (LDC)	-	*Post Graduate Diploma in Legal Practice*
PhD (PHT)	-	*Doctorate in Post-harvest Technology*
PhD CS	-	*Doctorate in Computer Science*
RoE	-	*Return on Equity*
RoU	-	*Right of Use*
SACCOs	-	*Savings and Credit Cooperative Organisations*
Shs Bn	-	*Shillings in Billions*
Shs M	-	*Shillings in Millions*
Shs Trn	-	*Shillings in Trillions*
SME	-	*Small and Medium Enterprise*
UGX	-	*Uganda Shillings*
ULS	-	*Uganda Law Society*
USE	-	*Uganda Securities Exchange*
Ushs	-	*Uganda Shillings*
USSD	-	*Unstructured Supplementary Service Data*
WiB	-	*Women in Business*

Our Branch Locations

1. **6th Street, Industrial Area** | *Plot 118 Sixth Street Industrial Area*
2. **Abaita Ababiri** | *Plot 1012 land at Nkumba, Busiro block*
3. **Abim** | *Yenglemi West, Abim Town Council*
4. **Acacia Avenue** | *Plot 24B Acacia Avenue, Kampala*
5. **Arua** | *Plot No. 1, Adumi Road, Arua*
6. **Banda** | *Plot 24 Jinja Road Shell Kyambogo LRV 500 Folio 24*
7. **Bugolobi** | *Plot 2 Bandali Close, Bugolobi, kampala*
8. **Bwaise** | *Plot 975/976 Sir Apollo Kagwa Road, Kampala*
9. **Dokolo** | *Bata Road, Akaibebe Zone Dokolo*
10. **Entebbe RD** | *Plot 4010, Namasuba, Entebbe Road - Freedom City Mall*
11. **Entebbe Town** | *Plot 10 Kampala Road- Entebbe*
12. **Gulu (Former CBL)** | *Plot 21 & 23 Gulu Avenue, Gulu*
13. **Hoima** | *Plot 36 Main Street, Hoima Municipality*
14. **Ibanda** | *Plot 82, kamwengye Road, Ibanda*
15. **Iganga** | *Plot 76 Iganga Road*
16. **Impala** | *Plot 13 Portal Avenue, Kampala LRV 13 Folio 7*
17. **Ishaka** | *Plot 45 Block 10 Ishaka Rukungiri Road*
18. **Isingiro** | *Plot 40 Block 25 at Ruhimbo Kamuri Isingiro*
19. **Jinja City** | *Plot 10 Alice Muloki Road , Jinja Town*
20. **Jinja Road** | *Plots 4A and 6 Kampala Road FRV 1032 Folio 11*
21. **Kabal** | *Plot 141 Kabale Road*
22. **Kampala Road** | *Plot 40 Kampala Road*
23. **Kawempe** | *Plot 537 Mengo Sejjengo close, Kampala*
24. **Kikuubo** | *Plot 2 Nakivubo Road Land*
25. **Kireka** | *Plot 395 Kireka Kirinya*
26. **Kisoro** | *Plot 65-75, Kisoro kabale rd, kisoro*
27. **Kitgum** | *Plot 19 Janum Luwum Street, Kitgum*
28. **Kyadondo Branch** | *Plot 26 Kyadondo Road, Nakasero, Kampala*
29. **Kyengera** | *Plot 1530 landd at Nabbingo, Busiro block 333*
30. **Lira** | *Plot No. 48, Lira Avenue, Lira*
31. **Lugogo** | *Plot 2-8 Lugogo by-pass road - Shoprite Mall*
32. **Luwero** | *Plot 819 at Kasana Bulemeezi Block*
33. **Lyantonde** | *Plot 226 Lyantonde, Kabula block*
34. **Makerere University** | *Plot 45 Pool Rd, Kampala Makerere University Dept. of Women & Gender Studies*
35. **Market Street** | *Plot 8 Burton Street, Mega Standard Mall, Kampala*
36. **Masaka** | *Plot 22 Kampala Road, Masaka Folio 4*
37. **Mbale** | *Plot 22 Court Road, Mbale*
38. **Mbarara** | *Plot 3 Masaka- Mbarara*
39. **Mukono** | *Plot 36 Jinja Road-Mukono Municipality*
40. **Naalya** | *Plot 2435-2447 Block 222 Land at Namugongo*
41. **Nabugabo** | *Plot 40A Nakivubo Road*
42. **Nateete** | *Plot 757 Block 18, Masaka Road, Kampala*
43. **Ndeeba** | *Plot 224 Kibuga Block 7 Mengo, Ndeeba, Kampala*
44. **Nsambya** | *Plot 1207 Gaba Road, Nsambya (Kibuga Block 15)*
45. **Ntinda I** | *Plot 37 & 40-42 Ntinda stretcher Road - Capital Shoppers*
46. **Ntinda II** | *Plot 1615 Old Kira Road*
47. **Ntungamo** | *Plot 58, Old Kabale Road, Ntumgamo*
48. **Owino** | *Plot 769 Mengo Kisenyi Estate, Owino Kampala*
49. **Pader** | *Plot 74 EY Komakech Road- Pader*
50. **Pallisa** | *Plot 8, Kasodo Road, Pallisa District*
51. **Rushere** | *Nyabushozi Block 68 Police Zone Rushere, Kiruhura District*
52. **Soroti** | *Plot 47 Gweri Road, Soroti Municipality, Jovi House*
53. **Tororo** | *Plot 9, 11 Mbale Tororo road, Bukedi*
54. **William Street** | *Plot 66 William Street, Kampala*

Group Information

DIRECTORS

JD Mugerwa*	-	Chairman
A. Zawedde*	-	Non-executive Director
L. Kironde*	-	Non-executive Director
Fred Pelser***	-	Non-executive Director
BT. Arimi*	-	Non-executive Director
F. Gimara*	-	Non-executive Director (Appointed on 11 July 2024)

*Ugandan
***South African

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