

STATEMENT FROM BOARD OF DIRECTORS

“Our core business is solid and continues to grow year on year, and we are pleased to announce the proposal to pay dividends to our Shareholders.”

We are pleased to announce the audited results for the year ended 31st December 2020. Due to the COVID-19 pandemic, 2020 was unprecedented in many ways having an adverse impact across the world and in Uganda affecting many sectors and livelihoods in different ways. While the impact of the pandemic affected our business operations, the Bank demonstrated resilience in the face of adversity and our core business remained strong and continued to grow year on year. We are therefore pleased to announce the proposal to pay dividends to our Shareholders.

In response to the pandemic environment, we re-evaluated and made proactive adjustments to our business model, risk management frameworks and business continuity plans. Additionally, we promoted the usage of digital channels and supported customers, especially the SME's to restart their businesses as the lockdown was gradually eased. By remaining close to the customer and constantly evaluating the environment, we continue to deploy new capabilities to support our customers and grow our business.

Business Environment

Global growth contracted by 3.5% due to major disruptions to supply chains that affected productivity of key economic sectors and similarly, Uganda's GDP growth contracted to 1.4%. The economy is estimated to rebound to 5% GDP growth by the end of 2021, but the pace of recovery will depend on how fast business activity picks up and the effectiveness of the measures put in place to contain the spread of the Corona Virus. As a business, we remain optimistic about a faster recovery of the local economy on account of a successful national vaccine roll out program and a resilient business community.

Response to the COVID-19 Pandemic

As a responsive business, we recognized the challenges occasioned by the pandemic and took the following measures to ensure safety and business continuity;

1. Reduced / removed charges on the use of digital channels.
2. Enhanced the alternative channels functionality and increased our digital footprint.
3. Provided credit relief to customers with loan restructures, rescheduling and repayment holidays.
4. Provided support to businesses and households with new and additional funding.
5. Supported the National COVID Taskforce with items in cash and in kind.

In respect to the well-being of our employees, we provided personal protective equipment, regular mass testing, safe transport services to and from work and enabling tools for remote working.

Highlights

While provisions for loans and impairment of the financial asset had a negative impact on profitability, there were positive underlying trends in our core business as follows;

- Net loans and advances to customers grew by 15%.
- Customer Deposits grew by 27%.
- Total assets increased by 18%.
- Proposed dividend of 50.33 Shillings per share.

Earnings Performance

Total revenue remained relatively stable year on year despite the impact of the pandemic and a declining interest rate environment.

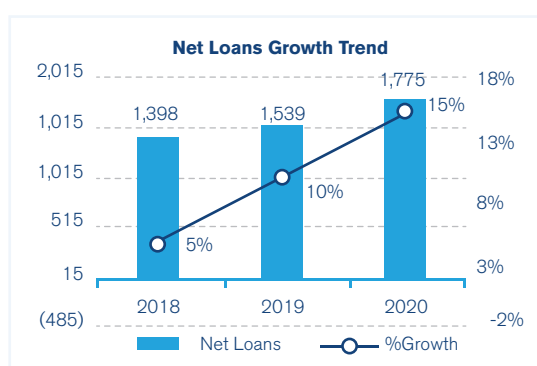
Loan provisions increased by 107% and impairment of the financial asset rose by 400%, to reach 50 Billion consequently posting a net profit for the year of 24 Billion. The Financial asset is composed of non-performing loans that were taken over from the 2017 transaction.

Dividends

The company remained well capitalized with capital ratios of 19.34% and 20.94% for tier one and two capital respectively. Liquidity position remained strong with an average liquid assets ratio above 35%. Considering this robust liquidity, strong equity shareholders and healthy capital position, the Board has recommended a dividend payout to the shareholders.

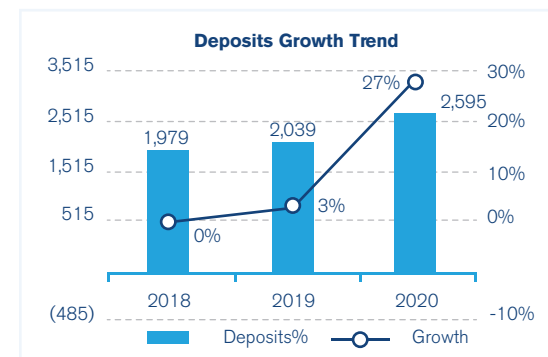
Supporting Business and Individual Customers

We extended support to personal, Small and Medium Enterprises across the country with credit funding and advisory services especially on business continuity, in addition to providing credit relief in terms of loan reschedules, restructures and repayment holidays. We continue to provide this relief as part of enabling customers to 'Restart and Thrive' post the 2020 pandemic. Furthermore, customers who suffered job loss and had credit facilities were provided with insurance payments to meet their loan obligations. Our overall provision of credit to various sectors of the Economy resulted in a 15% growth in net loans and advances to customers.



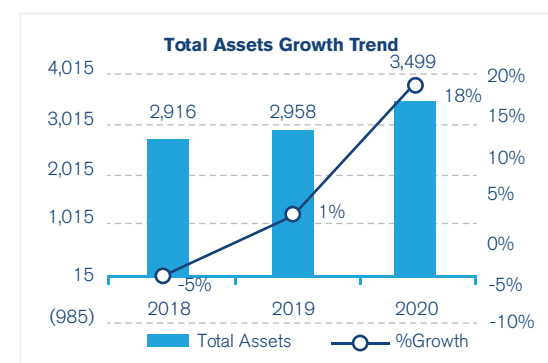
Harnessing the Digital Experience

In our continuous quest to enhance the customer experience, we further invested in digital capabilities that supported growth of new and existing business. We enhanced the functionality of our online and mobile banking, expanded the agent banking network both in footprint and functionality and rolled out a new fleet of Intelligent ATMs with real time deposit acceptance. Furthermore, solutions were deployed for savings and investment groups that eased group administration and member savings via the mobile phone. Subsequently, our customer deposits grew by 27% for the year.



Financial Strength

Sustained growth of total assets underpins the strength and viability of our business. Total assets grew by 18% to 3,499 Trillion Shillings. This robust growth in assets positions us uniquely to deliver improved earnings in the years ahead.



The Future

Over the years, our company has made significant investments to shore up institutional capabilities that enabled us to navigate the pandemic and its resultant effects. Our endeavor to play an active role in transforming the economy and enhancing the well-being of people is in line with the efforts of economic recovery in the new normal environment. Even though challenges remain for a number of sectors, we remain committed to supporting small and medium scale enterprises, advancing the cause of women in business, supporting key sectors of the economy in Agriculture, Manufacturing, Trade, Construction, Communications and Services. We have also laid the foundation to play an active role in the emerging Oil and Gas Sector.

We shall also continue to invest in capabilities that increase convenience for customers in the digital and alternative channels space and innovate products and services that improve the efficiency of our services and provide an all-round excellent customer experience.

Appreciation

We thank all our customers and stakeholders for choosing us as their preferred financial partner and we reiterate our commitment to “Making More Possible.”

Board of Directors

dfcu Group Extract of Consolidated Financial Statements for the year Ended 31 December 2020

REPORT OF THE INDEPENDENT AUDITOR ON THE PUBLISHED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS OF dfcu LIMITED

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2020, the summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of dfcu Limited and its subsidiary, dfcu Bank Limited, (together "dfcu Group") for the year ended 31 December 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements which are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda. Reading the summary consolidated financial statements and the

auditors' report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditors' report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Consolidated Financial Statements and our Report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our auditors' report dated 30 March 2021. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the current period.

Directors' Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements which are consistent with the audited consolidated financial statements prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012 of Uganda.

Auditors' Responsibility

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

Ernst & Young

Ernst & Young
Certified Public Accountants
Ernst & Young House
Plot 18 Clement Hill Road
Shimoni Office Village
P.O. Box 7215, Kampala, Uganda
Date: 30 March 2021

II. Summary Consolidated Statement of Financial Position	dfcu Group	
	2020	2019
	Shs 'M	Shs 'M
Assets		
Cash and balances with Bank of Uganda	606,750	394,892
Balances with banking institutions	195,441	111,116
Marketable (trading) securities	58,357	22,630
Loans and advances (Net)	1,775,316	1,539,323
Investment securities	517,005	486,771
Equity investments	9,651	9,763
Other assets	131,149	189,700
Deferred income tax asset	12,688	2,870
Property and equipment	107,208	152,999
Investment property	19,242	10,342
Intangible asset	36,681	37,737
Assets held for disposal	29,089	-
Total assets	3,498,577	2,958,143
Liabilities and shareholders' equity		
Customer deposits	2,595,347	2,039,037
Derivative financial instruments	97	-
Balances due to banking institutions	10,968	10,002
Other liabilities	76,548	59,064
Current income tax payable	1,773	2,783
Borrowed funds	181,852	237,999
Subordinated debt	36,560	36,560
Provisions	2,520	2,919
Total liabilities	2,905,665	2,388,364
Share capital	14,963	14,963
Share premium	185,683	185,683
Retained earnings	356,157	355,676
Proposed dividends	37,651	-
FVOCI Reserve	(1,542)	(598)
Reserves	-	14,055
Total shareholders' equity	592,912	569,779
Total liabilities and shareholders' equity	3,498,577	2,958,143

III. Summary Consolidated Statement of Comprehensive Income	dfcu Group	
	2020	2019
	Shs 'M	Shs 'M
Income		
Interest on deposits and placements	21,461	6,886
Interest on loans and advances	262,845	251,492
Interest on government and other securities	59,516	66,931
Foreign exchange income	19,300	14,669
Fee and commission income	50,773	65,449
Net income from other financial instruments at FVTPL	486	9,644
Other income	297	1,739
Total income	414,678	416,810
Expenditure		
Interest expense on deposits	(89,579)	(76,006)
Interest expense on borrowings	(14,437)	(21,805)
Interest expense on financial lease liability	(6,418)	(7,404)
Impairment losses on financial instruments	(30,632)	(14,774)
Fair value losses on other financial instruments	(50,488)	(10,105)
Operating expenses	(191,639)	(185,750)
Total expenditure	(383,193)	(315,844)
Profit before income tax	31,485	100,966
Income tax expense	(7,408)	(27,564)
Profit after tax	24,077	73,402
Other comprehensive income	(944)	(465)
Total comprehensive income	23,133	72,937
Earnings per share	32.18	98.11

IV. Summary Consolidated Statement of Cash Flows	dfcu Group	
	2020	2019
	Shs 'M	Shs 'M
Cash flow from operation activities		
Interest receipts	324,654	325,309
Interest payments	(107,257)	(97,811)
Net fee and commission receipts	50,773	65,449
Net income from other financial instruments at FVTPL	486	9,644
Net trading and other income received	18,995	16,408
Recoveries on loans previously written off	2,804	1,081
Interest paid on the lease liability	(986)	(3,292)
Cash payments to employees and suppliers	(120,605)	(208,533)
Income tax paid	(17,977)	(25,242)
Cash flow from operating activities before changes in operating assets and liabilities	150,887	83,013
Changes in operating assets and liabilities	218,014	22,829
Net cash flow from operating activities	368,901	105,842
Net cash used in investing activities	(33,305)	(23,499)
Net cash (used in) / from financing activities	(85,981)	(127,282)
Net (decrease) / increase in cash and cash equivalents	249,615	(44,939)
Cash and cash equivalents at 1 January	347,708	392,647
Unrealised gain on cash and cash equivalents	518	-
Cash and cash equivalents at 31 December	597,841	347,708

V. Summary Consolidated Statement of Changes in Equity

	Share Capital	Share premium	Distributable Reserves	Non - distributable reserves	FVOCI Reserve	Regulatory reserve	Proposed dividend	Total
	Shs 'M	Shs 'M	Shs 'M	Shs 'M	Shs 'M	Shs 'M	Shs 'M	Shs 'M
At 31 December 2019	14,963	185,683	343,563	12,113	(598)	14,055	-	569,779
Profit for the year	-	-	24,077	-	-	-	-	24,077
Transfers from regulatory reserve	-	-	14,055	-	-	(14,055)	-	-
FVOCI Revaluation	-	-	-	-	(978)	-	-	(978)
Loss allowance FV OCI	-	-	-	-	34	-	-	34
Dividend Paid	-	-	-	-	-	-	-	-
Dividend proposed	-	-	(37,651)	-	-	-	37,651	-
Transfer from other reserves	-	-	12,113	(12,113)	-	-	-	-
At 31 December 2020	14,963	185,683	356,157	-	(1,542)	-	37,651	592,912

V. Message from the Directors

The consolidated financial statements were approved by the Board of Directors on 29 March 2021. The Board is proposing a dividend of Shs 50.33 per share less withholding tax where applicable (2019: Nil). Shareholders are advised to note that book closure and dividend payment date details shall be availed in a later communication.

Elly Karuhanga

Elly Karuhanga
Chairman, dfcu Limited

Kironde Lule

Kironde Lule
Director, dfcu Limited

dfcu Bank Limited Extract of Financial Statements for the year Ended 31 December 2020

REPORT OF THE INDEPENDENT AUDITOR ON THE PUBLISHED SUMMARY FINANCIAL STATEMENTS OF dfcu BANK LIMITED

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2020, the summary statement of comprehensive income for the year then ended, and related notes, are derived from the audited financial statements of dfcu Bank Limited for the year ended 31 December 2020.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements which are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012, the Financial Institutions Act, 2004 (as amended) and the Financial Institutions Regulations of Uganda.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards, the requirements of the Companies Act, 2012, the Financial Institutions

Act, 2004 (as amended) and Financial Institutions Regulations of Uganda. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and our Report thereon

We expressed an unmodified audit opinion on the audited financial statements in our auditors' report dated 30 March 2021. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

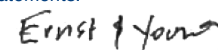
Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the Financial Institutions

(External Auditor) Regulations, 2010 and the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016.

Auditors' Responsibility

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



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Date: 30 March 2021


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	2020	2019	
	Shs 'M	Shs 'M	
Assets			
Cash and balances with Bank of Uganda	606,750	394,892	
Balances due from other banks	195,441	111,116	
Marketable (trading) securities	58,357	22,630	
Loans and advances (Net)	1,775,316	1,539,323	
Amounts due from group companies	15,932	14,252	
Investment securities	517,005	486,771	
Equity investments	9,651	9,763	
Other assets	130,624	185,528	
Deferred income tax asset	11,523	3,102	
Property and equipment	153,459	167,336	
Intangible asset	36,218	37,274	
Assets held for disposal	29,089	-	
Total assets	3,539,365	2,971,987	
Liabilities and shareholders' equity			
Customer deposits	2,595,347	2,039,037	
Balances due to other banks	10,968	10,002	
Amounts due to group companies	197	1,714	
Derivative financial instruments	97	-	
Other liabilities	141,785	95,454	
Current income tax payable	2,722	4,302	
Borrowed funds	177,350	233,453	
Subordinated debt	36,560	36,660	
Provisions	2,520	2,919	
Total liabilities	2,967,546	2,423,541	
Share capital	30,000	30,000	
Share premium	175,197	175,197	
Retained earnings	328,513	329,792	
Proposed dividends	39,651	-	
FVOCI Reserve	(1,542)	(598)	
Reserves	-	14,055	
Total shareholders' equity	571,819	548,446	
Total liabilities and shareholders' equity	3,539,365	2,971,987	

III. Summary Statement of Comprehensive Income		dfcu Bank	
	2020	2019	
	Shs 'M	Shs 'M	
Income			
Interest on deposits and placements	21,461	6,886	
Interest on loans and advances	265,284	253,812	
Interest on government and other securities	59,516	66,931	
Foreign exchange income	17,504	14,718	
Fee and commission income	50,743	65,295	
Net income from other financial instruments at FVTPL	486	9,644	
Other income	297	117	
Total income	415,291	417,403	
Expenditure			
Interest expense on deposits	(89,591)	(76,238)	
Interest expense on borrowings	(14,014)	(21,438)	
Interest expense on financial lease liability	(6,418)	(7,404)	
Impairment losses on financial instruments	(30,632)	(14,774)	
Fair value losses on other financial instruments	(50,488)	(10,105)	
Operating expenses	(191,595)	(185,854)	
Total expenditure	(382,738)	(315,813)	
Profit before income tax	32,553	101,590	
Income tax expense	(8,236)	(26,780)	
Profit after tax	24,317	74,810	
Other comprehensive income	(944)	(465)	
Total comprehensive income	23,373	74,345	

IV. Other disclosures		dfcu Bank	
	2020	2019	
	Shs 'M	Shs 'M	
Contingent liabilities			
Acceptances and letters of credit	-	-	
Guarantees and performance bonds	271,869	541,845	
Total	271,869	541,845	
Commitments			
Undrawn stand-by facilities and other commitments to lend	37,289	51,377	
Total	37,289	51,377	
Non performing loans and other assets	94,095	89,117	
Interest in suspense	13,188	7,198	
Bad debts written off	13,905	32,500	
Large loans exposures	351,286	175,655	
Insider loans exposures	2,179	3,697	
Capital Position			
Core capital	482,159	493,825	
Supplementary capital	39,987	44,813	
Total qualifying capital	522,146	538,638	
Total Risk Weighted Assets (RWA)	2,493,694	2,525,621	
Core capital to RWA	19.34%	19.55%	
Total Qualifying capital to RWA	20.94%	21.33%	

V. Message from the Directors

The financial statements were approved by the Board of Directors on 5 March 2021 and approved by Bank of Uganda on 26 March 2021. The Board is proposing a dividend of Shs 132.17 per share less withholding tax where applicable (2019:Nil). The payment will be subject to approval from Bank of Uganda based on the circular issued on 24th March 2020 disclosing the measures to promote capital resilience in the wake of the COVID-19 pandemic.


Jimmy D. Mugerwa
Chairman, dfcu Bank


Mathias Katamba
Managing Director, dfcu Bank


William Ssekabembe
Director, dfcu Bank


Angellina Namakula Ofwono
Company Secretary, dfcu Bank